



Balancing Economic Growth and Social Equity: A Legal and Conceptual Analysis of Indonesian Agrarian Reform in the Agribusiness Sector

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A B S T R A C T

Indonesia faces the persistent challenge of balancing economic growth with social equity in its agribusiness sector. This study analyzes how legal and conceptual aspects of agrarian reform policies contribute to this balancing act, particularly in the context of rising agribusiness investment and the persistence of smallholder farming. A normative juridical method was employed, incorporating statute, historical, and conceptual approaches. Legal documents, historical records, and academic literature were analyzed. Simulation data, based on government statistics and existing research, was used to model the potential impact of different policy scenarios on economic growth and social equity. Indonesia's legal framework, while promoting land redistribution and tenure security, exhibits inconsistencies that can favor large-scale agribusiness interests. This can lead to unequal access to land and resources, potentially hindering inclusive growth. Simulation data suggests that strengthening land tenure security, improving access to finance, and promoting sustainable agricultural practices can contribute to both economic growth and social equity. In conclusion, optimizing agrarian reform requires a more nuanced approach that prioritizes social equity alongside economic growth. This includes strengthening land rights for smallholder farmers, improving access to resources, and promoting sustainable agricultural practices.

1. Introduction

Indonesia, an archipelago nation endowed with rich volcanic soil, abundant rainfall, and a diverse agricultural landscape, holds a prominent position in the global agricultural arena. Its fertile lands yield a wide array of crops, from staple foods like rice and corn to high-value commodities such as palm oil, coffee, and rubber. Agriculture remains a cornerstone of the Indonesian economy, contributing significantly to national income, employment, and food security. However, beneath this vibrant agricultural tapestry lies a complex and often contentious struggle to balance economic growth with social equity. The Indonesian agricultural sector is characterized by a dualistic structure, with large-scale agribusinesses operating alongside millions of smallholder farmers.

While agribusinesses, driven by market forces and export-oriented production, have contributed to economic growth and foreign exchange earnings, they have also raised concerns about land concentration, environmental degradation, and the marginalization of smallholder farmers. Smallholder farmers, who represent a significant portion of the rural population, often face challenges such as limited land ownership, lack of access to credit and technology, and vulnerability to market fluctuations.¹⁻⁴

This inherent tension between large-scale agribusiness and smallholder farming lies at the heart of Indonesia's agrarian reform discourse. Agrarian reform, broadly defined, encompasses a range of policies and measures aimed at redistributing land, securing land tenure, and improving access to

resources for smallholder farmers. It is seen as a crucial instrument for achieving both economic growth and social equity in the agricultural sector. By empowering smallholder farmers, agrarian reform can enhance productivity, increase incomes, reduce poverty, and promote more inclusive and sustainable agricultural development.⁵⁻⁷

However, the effectiveness of agrarian reform in achieving these goals depends crucially on the legal and conceptual framework within which it operates. Indonesia's legal framework, rooted in the Basic Agrarian Law of 1960 (BAL), enshrines the principle of land ownership by the state, with individuals and communities granted rights to use and manage land. While the BAL aims to ensure equitable land distribution and prevent excessive land concentration, its implementation has been fraught with challenges, leading to persistent inequalities and land conflicts.⁸⁻¹⁰ This study delves into the intricate relationship between legal frameworks, historical legacies, and contemporary challenges in Indonesia's agrarian reform process.

2. Methods

The normative juridical method serves as the cornerstone of this research, providing a systematic framework for analyzing the legal norms and principles governing agrarian reform in Indonesia. This method involves a critical examination of relevant laws, regulations, and legal doctrines to assess their effectiveness in promoting equitable land distribution, tenure security, and access to resources for smallholder farmers. Within the normative juridical framework, this study incorporated three distinct approaches to provide a comprehensive analysis of the legal dimensions of agrarian reform. The primary legal documents scrutinized in this study include; The Basic Agrarian Law of 1960 (Undang-Undang Pokok Agraria No. 5 Tahun 1960): This foundational law establishes the fundamental principles of land ownership, land use, and agrarian reform in Indonesia. It enshrines the principle of state ownership of land, while granting individuals and

communities rights to use and manage land. The study delved into the various provisions of the BAL, including those related to land rights, land redistribution, and land tenure security; The Spatial Planning Law of 2007 (Undang-Undang No. 26 Tahun 2007 tentang Penataan Ruang): This law provides a framework for land use planning and zoning, influencing the allocation of land for different purposes, including agriculture, industry, and conservation. The study examined how the Spatial Planning Law interacts with agrarian reform policies, particularly in the context of agribusiness development and its potential impact on smallholder farmers; Government Regulations on Agribusiness Investment: Various government regulations provide incentives and guidelines for agribusiness investment in Indonesia.

This study analyzed these regulations to understand how they shape the legal environment for agribusiness operations and their potential implications for land acquisition, land use, and the rights of smallholder farmers. The statute approach involved a close reading and interpretation of these legal documents, drawing on legal commentaries, court decisions, and scholarly analyses to understand their practical application and implications for agrarian reform. Recognizing that law is not a static entity but rather a product of historical processes and social struggles, this study incorporated a historical approach to provide context and depth to the legal analysis. This involved tracing the historical development of agrarian reform in Indonesia, examining key policy shifts, and analyzing their impact on land ownership patterns, agricultural development, and social equity. The historical analysis encompassed various periods in Indonesian history, including; The Colonial Period: This period witnessed the introduction of the plantation system, which led to the concentration of land ownership in the hands of a few powerful companies and the displacement of indigenous farmers. The study examined the legal and institutional frameworks established during the colonial era and their lasting impact on agrarian

structures in Indonesia; The Early Independence Period: Following independence, the Indonesian government initiated land reform programs aimed at redistributing land to landless farmers. The study analyzed the successes and challenges of these early reform efforts, exploring the political and social factors that influenced their implementation; The New Order Era: The New Order regime prioritized economic growth and agricultural modernization, often at the expense of social equity. The study investigated how agrarian reform policies were shaped by the developmentalist agenda of the New Order government and their implications for smallholder farmers; The Post-Reform Era: The post-reform era has seen renewed efforts to address agrarian issues and promote social justice. The study examined the policy shifts and challenges encountered in the post-reform period, analyzing the ongoing efforts to strengthen land tenure security and promote more equitable land distribution. The historical analysis drew on a variety of sources, including historical records, government documents, academic literature, and archival materials. This allowed for a nuanced understanding of the historical context within which agrarian reform policies have evolved and the challenges that have persisted over time. To provide a broader theoretical framework for understanding agrarian reform, this study incorporated a conceptual approach. This involved engaging with different theoretical perspectives on land ownership, social justice, and economic development, drawing on insights from various disciplines, including law, economics, sociology, and political science. The conceptual analysis explored various theoretical frameworks, including;

Property Rights Theory: This theory emphasizes the importance of secure property rights for economic development, arguing that secure land tenure provides incentives for investment, productivity growth, and efficient resource allocation. The study examined how property rights theory has influenced agrarian reform policies in Indonesia and its implications for both smallholder farmers and agribusinesses; Social Justice Theory: This theory

focuses on the ethical and moral dimensions of land ownership and distribution, arguing that land should be distributed equitably to ensure social justice and reduce inequality. The study explored how social justice principles have been incorporated into agrarian reform policies and the challenges of achieving equitable land distribution in practice; Development Theory: This theory examines the role of agriculture and rural development in achieving broader economic and social development goals. The study analyzed how different development paradigms have shaped agrarian reform policies in Indonesia, from the emphasis on agricultural modernization during the New Order era to the more recent focus on sustainable and inclusive development. The conceptual approach involved a critical review of academic literature, drawing on diverse theoretical perspectives to provide a comprehensive understanding of the conceptual underpinnings of agrarian reform.

To complement the qualitative analysis of legal, historical, and conceptual aspects of agrarian reform, this study employed simulation modeling to provide a quantitative assessment of the potential impact of different policy scenarios on economic growth and social equity. This involved constructing a simplified model of the Indonesian agribusiness sector, based on government statistics and existing research, and using it to simulate the effects of various policy interventions. The simulation model incorporated key variables related to land ownership, agricultural productivity, income distribution, and poverty rates. The model was then used to simulate the effects of different policy scenarios, such as;

Strengthening Land Tenure Security: This scenario simulated the impact of strengthening land tenure security for smallholder farmers by simplifying land registration procedures, improving land administration systems, and resolving land conflicts effectively; Improving Access to Finance: This scenario simulated the impact of improving access to credit for smallholder farmers through targeted government programs, partnerships with the private sector, and strengthening farmer organizations; Promoting Sustainable Agricultural

Practices: This scenario simulated the impact of promoting sustainable agricultural practices, such as agroforestry and organic farming, through extension services, training programs, and incentives for adopting environmentally friendly technologies. The simulation data was used to generate quantitative estimates of the potential impacts of these policy interventions on key indicators, such as agricultural productivity, income distribution, and poverty rates. This allowed for a comparative assessment of different policy options and their potential contribution to balancing economic growth and social equity.

This study drew on a variety of data sources to provide a comprehensive and nuanced understanding of agrarian reform in Indonesia. The primary data sources included;

Legal Documents: This included primary legal sources such as the Basic Agrarian Law of 1960, the Spatial Planning Law of 2007, and various government regulations related to agribusiness investment. Secondary legal sources, such as legal commentaries, court decisions, and scholarly analyses, were also consulted to provide context and interpretation;

Historical Records: This included government documents, archival materials, and historical accounts of agrarian reform policies and their implementation. These sources provided insights into the historical evolution of agrarian reform and the challenges encountered at different stages;

Academic Literature: This encompassed a wide range of academic publications, including books, journal articles, and research reports, covering various disciplines such as law, economics, sociology, and political science. These sources provided theoretical frameworks, empirical evidence, and comparative perspectives on agrarian reform;

Government Statistics: This included data from various government agencies, such as the Ministry of Agriculture, the National Land Agency, and the Central Statistics Agency. These data provided information on land ownership patterns, agricultural production, income distribution, and poverty rates;

Simulation Data: This involved creating a simplified model of the Indonesian agribusiness sector, based on government statistics

and existing research, and using it to simulate the effects of different policy scenarios. The data collection process involved a combination of desk research, document analysis, and simulation modeling. Desk research involved reviewing existing literature and data sources to gather information on the legal, historical, and conceptual dimensions of agrarian reform. Document analysis involved a close reading and interpretation of legal documents and historical records to extract relevant information. Simulation modeling involved constructing a simplified model of the agribusiness sector and using it to generate quantitative data on the potential impact of different policy scenarios.

The data analysis involved a combination of qualitative and quantitative methods. Qualitative analysis was used to analyze legal documents, historical records, and academic literature to identify key themes, patterns, and contradictions. This involved a close reading and interpretation of the texts, drawing on thematic analysis and content analysis techniques to identify key concepts, arguments, and perspectives. Quantitative analysis was used to analyze the simulation data, generating descriptive statistics and conducting comparative analyses to assess the potential impact of different policy scenarios on key economic and social indicators. This involved using statistical software to analyze the simulation data and generate graphical representations of the results. The combination of qualitative and quantitative analysis allowed for a more comprehensive and nuanced understanding of the research findings. The qualitative analysis provided rich contextual information and insights into the legal, historical, and conceptual dimensions of agrarian reform. The quantitative analysis provided a more objective and measurable assessment of the potential impact of different policy scenarios.

This study adhered to ethical research principles throughout the research process. The study relied on publicly available data sources, such as legal documents, historical records, academic literature, and government statistics. No primary data was

collected from individuals or communities, thus eliminating the need for informed consent procedures. However, the study acknowledged the potential sensitivity of the subject matter, particularly regarding land conflicts and social inequalities. The research was conducted with sensitivity and respect for the perspectives and experiences of different stakeholders involved in agrarian reform. The study also maintained objectivity and impartiality in the analysis and interpretation of the data.

3. Results

Table 1 provides a concise overview of the key legislation shaping Indonesian agrarian reform, highlighting the intricate and often contradictory nature of the legal framework. The table showcases how agrarian reform legislation has evolved over time, starting with the foundational 1960 Basic Agrarian Law (BAL). However, subsequent laws and regulations have added layers of complexity, sometimes creating inconsistencies and loopholes that can be exploited by powerful actors. Each piece of legislation has laudable objectives, ranging from promoting social justice and equitable land distribution to ensuring food security and attracting investment. However, the "Challenges and Loopholes" column consistently points to implementation challenges. This highlights the gap between policy aspirations and on-the-ground realities, often due to factors like bureaucratic hurdles, weak enforcement, and conflicts with other development interests. The table reflects the tension between promoting smallholder farmer welfare and encouraging large-scale agribusiness investment. While the BAL emphasizes social function and land redistribution, laws like Law No. 11 of 2020 (Omnibus Law) and Hak Guna Usaha (HGU) regulations aim to attract investment and boost economic growth. This balancing act can create vulnerabilities for smallholder farmers, as seen in potential land grabbing and displacement concerns. Across the different legislations, land tenure security emerges as a recurring theme. The BAL lays the foundation, and subsequent laws like Government Regulation No. 24 of

1997 and Law No. 41 of 2009 aim to strengthen it. However, challenges persist, particularly for marginalized communities who face bureaucratic hurdles and limited access to land registration and certification. The table underscores the need for ongoing legal and policy reform to address the challenges and loopholes identified. This includes strengthening enforcement mechanisms, improving transparency in land acquisition processes, and ensuring that agrarian reform truly benefits smallholder farmers while also promoting sustainable agricultural practices.

Table 2 presents a mixed picture of the effectiveness of Indonesian agrarian reform policies; Land Redistribution: The achievements table highlights that millions of hectares of land have been redistributed to smallholder farmers since the 1960s. This suggests a significant effort to address land inequality and empower smallholders. The redistribution has contributed to increased land ownership among rural communities, poverty reduction, and increased agricultural production. Despite these achievements, the pace of land redistribution has been slow in recent decades, likely due to the limited availability of suitable land and bureaucratic hurdles. Land conflicts and corruption also pose challenges to effective redistribution. To accelerate land redistribution, the table suggests focusing on areas with high agribusiness investment, where land acquisition may be more feasible. This could contribute to more inclusive growth by ensuring that the benefits of agribusiness development are shared more equitably; Land Tenure Security: Significant progress has been made in issuing land certificates to farmers through programs like Prona and PTSL. This has increased awareness of land rights and improved land tenure security in some areas. Many farmers still lack formal land titles, relying on informal claims or customary land tenure systems. Overlapping land claims and disputes persist, particularly in areas with unclear boundaries or weak land administration systems. Lack of awareness and capacity among farmers to navigate land registration

processes remains a barrier. Improving land tenure security requires a multi-pronged approach, including continuing land certification programs and strengthening land administration systems,

increasing investment in land administration to clarify boundaries and resolve disputes, and empowering farmers with knowledge and resources to secure their land rights.

Table 1. Legal framework of Indonesian agrarian reform.

Legislation	Key provisions	Objectives	Challenges and Loopholes
1960 Basic Agrarian Law (BAL) (Law No. 5 of 1960)	- Nationalization of land - Social function of land - Land redistribution - Land tenure security	- Establish a unified national land law - Promote social justice and equitable land distribution - Increase agricultural productivity - Ensure sustainable land management	- Implementation challenges due to complexities and contradictions with subsequent laws - Loopholes allowing for land concentration in the hands of corporations and elites
Law No. 56 of 1960 concerning the Determination of the Region of Agrarian Law	- Specifies the geographical area where the BAL applies	- Clarify the scope of the BAL	- Limited applicability in certain areas with specific land tenure systems
Government Regulation No. 24 of 1997 concerning Land Registration	- Procedures for land registration and certification - Types of land rights and their requirements	- Improve land administration - Strengthen land tenure security	- Bureaucratic hurdles and complexities - Limited access for marginalized communities
Law No. 41 of 2009 concerning the Protection of Sustainable Food Agricultural Land	- Protection of agricultural land from conversion to non-agricultural uses - Sustainable agricultural practices	- Ensure food security - Promote sustainable agriculture	- Weak enforcement - Conflicts with development interests
Law No. 11 of 2020 concerning Job Creation (Omnibus Law)	- Simplification of land acquisition for investment - Easing of regulations for agribusiness development	- Attract investment - Boost economic growth	- Concerns about potential negative impacts on land rights and environmental sustainability - Lack of clarity on some provisions
Hak Guna Usaha (HGU) Regulations	- Granting of long-term land use rights to corporations for plantation development	- Promote investment in the agribusiness sector	- Potential for land grabbing and displacement of communities - Lack of transparency in HGU issuance

Table 2. Effectiveness of Indonesian agrarian reform policies.

Policy area	Programs and initiatives	Achievements	Challenges	Impact of optimization
Land Redistribution	- Land reform programs (1960s-present) - Redistribution of state-owned land - Land acquisition from absentee landlords	- Millions of hectares of land redistributed to smallholder farmers - Increased land ownership among rural communities - Contribution to poverty reduction in some areas	- Slow pace of land redistribution in recent decades - Limited availability of land suitable for redistribution - Bureaucratic hurdles and corruption - Land conflicts, particularly in areas with high agribusiness investment	- Accelerated redistribution: - Significant reduction in rural poverty and inequality - Increased agricultural production - More inclusive growth
Land Tenure Security	- Land certification programs (Prona, PTSL) - Adjudication of land rights - Strengthening land administration systems	- Millions of land certificates issued to farmers - Increased awareness of land rights - Improved land tenure security in some areas	- Many farmers still lack formal land titles - Informal land markets persist - Overlapping land claims and boundary disputes - Lack of awareness and capacity among farmers	- Improved land tenure security: - Increased investment in agriculture - Higher productivity and incomes - Adoption of sustainable agricultural practices

Table 3 provides a valuable framework for understanding the multifaceted challenges and opportunities associated with optimizing agrarian reform in Indonesia. It categorizes these challenges and opportunities into three key areas: Land and Resources, Information and Technology, and External Factors; Land and Resources: Challenges category highlights the persistent challenges related to land access and resource allocation. Land conflicts remain a significant issue, often involving disputes between farmers, communities, corporations, and the government. Weak law enforcement and unclear land boundaries exacerbate these conflicts. Additionally, smallholder farmers face limited access to essential resources like credit, technology, and markets, hindering their productivity and economic well-being. Inadequate infrastructure in rural areas further compounds these challenges. The Opportunities table suggests several opportunities to address these challenges. Strengthening land tenure security through improved land administration and clear land titles is crucial for resolving land conflicts and empowering farmers. Empowering farmer organizations can enhance their bargaining power and facilitate access to resources. Promoting sustainable agricultural practices can improve environmental sustainability and increase farmers' incomes. Investing in rural infrastructure can improve productivity and market access; Information and Technology: Challenges category emphasizes the importance of information and technology in modern agriculture. Smallholder farmers often lack access to crucial information about best agricultural practices, market prices, and government programs. Limited access to technology, such as improved seeds, fertilizers, and machinery, further restricts their productivity and competitiveness. Leveraging technology can empower smallholder farmers. Mobile applications for agricultural information, e-commerce platforms for market access, and training programs for technology adoption can bridge the information and technology gap. Investing in digital infrastructure in rural areas is essential for facilitating technology

access and adoption; External Factors: Challenges category highlights the vulnerability of the agricultural sector to external factors, particularly climate change. Increased frequency of droughts and floods poses a significant threat to agricultural production and livelihoods. Lack of coordination and policy coherence between government agencies involved in agrarian reform and agribusiness development can hinder effective policy implementation. Promoting climate-smart agriculture practices can build resilience in the agricultural sector and mitigate the impacts of climate change. Improving policy coordination and coherence can ensure that policies are aligned and implemented effectively, maximizing their impact on agrarian reform and sustainable agricultural development.

Table 4 outlines different policy scenarios related to Indonesian agrarian reform and their potential outcomes, providing a framework for understanding the potential impact of various policy interventions; Baseline Scenario: This scenario represents the continuation of current trends and policies, without significant changes to land distribution, land tenure security, or access to resources. The projection relies on World Bank data on the Indonesian agribusiness sector, BPS data on poverty and inequality, and FAO data on agricultural production. The baseline scenario predicts a persistence of inequality in the agricultural sector, with smallholder farmers facing challenges competing with larger agribusiness operations. Moderate growth in agricultural production is expected, but with potential environmental and social costs; Accelerated Land Redistribution: This scenario simulates the impact of accelerating land redistribution programs, transferring more land to landless farmers and reducing land concentration. Historical data on land redistribution programs in Indonesia, BPS data on land ownership and landlessness, and World Bank data on the impact of land redistribution on poverty and inequality are used. This scenario projects a significant reduction in rural poverty and inequality, increased agricultural production, and more inclusive growth in the agribusiness sector. However, it also highlights the

potential need for complementary policies to support newly landed farmers with access to credit, technology, and markets; Improved Land Tenure Security: This scenario simulates the impact of providing secure land titles to all farmers, strengthening land tenure security. BPS data on land certification and land tenure security, World Bank data on the impact of land tenure security on investment and productivity, and research on the relationship between land tenure security and sustainable agricultural practices are used. This scenario projects increased investment in agriculture, higher productivity and incomes for smallholder farmers, adoption of sustainable agricultural practices, and long-term improvements in land management; Enhanced Access to Finance: This scenario simulates the impact of providing greater access to credit for smallholder farmers through microfinance institutions, government loan programs, and other initiatives. World Bank data on access to finance for smallholder farmers, BPS data on

agricultural credit and indebtedness, and research on the impact of microfinance and other financial services on agricultural productivity and incomes are used. This scenario projects increased investment in farms, adoption of new technologies, and increased income for smallholder farmers. It also emphasizes the importance of financial literacy programs to help farmers manage their finances effectively; Integrated Policy Approach: This scenario combines elements of the previous scenarios, including accelerated land redistribution, improved land tenure security, enhanced access to finance, investment in rural infrastructure, and promotion of sustainable agricultural practices. Data from all sources listed above, as well as research on the synergistic effects of different policy interventions, are used. This scenario projects the most significant improvements in both economic growth and social equity in the agribusiness sector. It anticipates a more sustainable and resilient agricultural sector and improved livelihoods for rural communities.

Table 3. Challenges and opportunities in optimizing agrarian reform in Indonesia.

Category	Challenges	Opportunities
Land and Resources	- Land conflicts between farmers, communities, and agribusiness corporations - Weak law enforcement and unclear land boundaries - Limited access to credit, technology, and markets for smallholder farmers - Inadequate infrastructure in rural areas (roads, irrigation, storage)	- Strengthening land tenure security through improved land administration and clear land titles - Empowering farmer organizations to enhance bargaining power and facilitate access to resources - Promoting sustainable agricultural practices to improve environmental sustainability and increase farmers' incomes - Investing in rural infrastructure to improve productivity and market access
Information and Technology	- Limited access to information about best agricultural practices, market prices, and government programs - Limited access to technology, such as improved seeds, fertilizers, and machinery	- Leveraging technology to empower smallholder farmers, such as mobile applications for agricultural information and e-commerce platforms for market access - Providing training and support for farmers to adopt new technologies - Investing in digital infrastructure in rural areas
External Factors	- Climate change impacts, such as increased frequency of droughts and floods - Lack of coordination and policy coherence between government agencies involved in agrarian reform and agribusiness development	- Promoting climate-smart agriculture practices to build resilience in the agricultural sector - Improving policy coordination and coherence to ensure that policies are aligned and implemented effectively

Table 4. Data and policy scenarios.

Scenario	Description	Key data sources	Projected outcomes
Baseline Scenario	Projection of the Indonesian agribusiness sector based on current trends and policies. Assumes continuation of existing land distribution patterns, limited access to resources for smallholder farmers, and moderate growth in agricultural productivity.	- World Bank data on land distribution and agricultural productivity - BPS data on poverty and inequality in rural areas - FAO data on agricultural production and food security	- Persistence of inequality in the agricultural sector - Continued challenges for smallholder farmers in competing with larger agribusiness operations - Moderate growth in agricultural production, but with potential environmental and social costs
Accelerated Land Redistribution	Accelerating land redistribution programs, transferring more land to landless farmers, and reducing the concentration of land ownership.	- Historical data on land redistribution programs in Indonesia - BPS data on land ownership and landlessness - World Bank data on the impact of land redistribution on poverty and inequality	- Significant reduction in rural poverty and inequality - Increased agricultural production - More inclusive growth in the agribusiness sector - Potential need for complementary policies to support newly landed farmers (access to credit, technology, markets)
Improved Land Tenure Security	Providing secure land titles to all farmers.	- BPS data on land certification and land tenure security - World Bank data on the impact of land tenure security on investment and productivity - Research on the relationship between land tenure security and sustainable agricultural practices	- Increased investment in agriculture - Higher productivity and incomes for smallholder farmers - Adoption of sustainable agricultural practices - Long-term land improvements
Enhanced Access to Finance	Providing greater access to credit for smallholder farmers through microfinance institutions, government loan programs, and other initiatives.	- World Bank data on access to finance for smallholder farmers - BPS data on agricultural credit and indebtedness - Research on the impact of microfinance and other financial services on agricultural productivity and incomes	- Increased investment in farms - Adoption of new technologies - Increased income for smallholder farmers - Importance of financial literacy programs to help farmers manage their finances effectively
Integrated Policy Approach	Combining elements of the previous scenarios: accelerated land redistribution, improved land tenure security, enhanced access to finance, investment in rural infrastructure, and promotion of sustainable agricultural practices.	- Data from all sources listed above - Research on the synergistic effects of different policy interventions	- Most significant improvements in both economic growth and social equity in the agribusiness sector - More sustainable and resilient agricultural sector - Improved livelihoods for rural communities

4, Discussion

This study has delved into the intricate landscape of Indonesian agrarian reform, exploring its legal and conceptual foundations, historical evolution, and

potential for balancing economic growth with social equity. The findings reveal a complex interplay of factors that shape the effectiveness of agrarian reform, highlighting both progress and persistent challenges.

Indonesia's legal framework for agrarian reform, anchored in the Basic Agrarian Law of 1960 (BAL), aspires to achieve equitable land distribution and tenure security. However, the analysis reveals a dichotomy between legal ideals and ground realities. While the BAL emphasizes social function and land redistribution, subsequent laws and regulations have introduced complexities and loopholes that can be exploited by powerful actors, particularly large-scale agribusinesses. This tension is evident in the challenges faced in implementing land redistribution programs. Despite significant progress in redistributing millions of hectares of land, the pace has slowed in recent decades. Limited availability of suitable land, bureaucratic hurdles, and resistance from vested interests contribute to this slowdown. Moreover, land conflicts persist, often fueled by unclear land boundaries, weak law enforcement, and competing claims between farmers, communities, and corporations. The study also highlights the gap between the legal recognition of land rights and the actual realization of those rights for many smallholder farmers. While land certification programs have expanded, many farmers still lack formal land titles, leaving them vulnerable to land grabbing and displacement. This insecurity of tenure hinders investment, productivity growth, and the adoption of sustainable agricultural practices. These findings resonate with existing literature that critiques the implementation gaps in Indonesian agrarian reform. Scholars have pointed to the influence of powerful elites, the complexities of land administration, and the challenges of enforcing land rights in a context of weak governance and corruption.¹¹⁻¹³

The historical analysis underscores the enduring influence of past policies and practices on the current agrarian landscape. The colonial legacy of the plantation system continues to shape land ownership patterns and power dynamics in the agricultural sector. Large-scale plantations, often controlled by multinational corporations or domestic conglomerates, continue to dominate the production of certain commodities, raising concerns about land

concentration, environmental degradation, and the marginalization of smallholder farmers. While post-independence agrarian reforms aimed to address these historical injustices, their implementation has been uneven. Political resistance from landed elites, limited resources, and bureaucratic complexities have hindered progress. The New Order regime's emphasis on economic growth and agricultural modernization often prioritized large-scale agribusinesses over smallholder farmers, further exacerbating inequalities. The post-reform era has witnessed renewed efforts to address agrarian issues and promote social justice. However, land conflicts and inequalities persist, highlighting the need for more effective and equitable agrarian reform policies. The rise of agribusiness investment, while contributing to economic growth, has also intensified competition for land and resources, posing new challenges for smallholder farmers. These findings align with historical analyses of Indonesian agrarian reform. Scholars have emphasized the persistence of power imbalances and the challenges of implementing redistributive policies in a context of entrenched interests and institutional weaknesses.^{14,15}

The study underscores the inherent tension between promoting economic growth through agribusiness development and ensuring social equity for smallholder farmers. While agribusiness investment can contribute to economic growth, job creation, and export earnings, it can also exacerbate land concentration, displace smallholder farmers, and contribute to environmental degradation. On the other hand, empowering smallholder farmers through agrarian reform can enhance productivity, increase incomes, reduce poverty, and promote more inclusive and sustainable agricultural development. Secure land tenure, access to credit and technology, and support for sustainable agricultural practices are crucial for enabling smallholder farmers to thrive in a competitive market environment. The simulation data analysis provides further evidence for the importance of balancing economic growth and social equity. The scenarios that combine elements of land

redistribution, land tenure security, access to finance, and sustainable agricultural practices project the most significant improvements in both economic and social indicators. This suggests that a comprehensive and integrated approach to agrarian reform is essential for achieving both economic growth and social equity. These findings contribute to the growing body of literature that emphasizes the importance of inclusive and sustainable agricultural development. Scholars have argued that empowering smallholder farmers and promoting sustainable agricultural practices are not only essential for social justice but also for achieving long-term economic growth and environmental sustainability.^{16,17}

Strengthening land governance is crucial for ensuring equitable land distribution, secure land tenure, and effective land use planning. Investing in land administration systems to clarify land boundaries, streamline land registration procedures, and resolve land disputes efficiently. Promoting transparency and accountability in land acquisition processes to prevent corruption and ensure that land is acquired for legitimate public purposes. Enhancing law enforcement to protect land rights, prevent land grabbing, and resolve land conflicts effectively. Involving local communities in land use planning and decision-making processes to ensure that their interests are protected and that development benefits are shared equitably. Empowering smallholder farmers is essential for achieving both economic growth and social equity in the agricultural sector. Continuing and expanding land certification programs to provide secure land titles to all farmers. Providing smallholder farmers with better access to credit, technology, and market information through targeted government programs, partnerships with the private sector, and strengthening farmer organizations. Promoting sustainable agricultural practices through extension services, training programs, and incentives for adopting environmentally friendly technologies. Investing in rural infrastructure, such as roads, irrigation, and storage facilities, to improve productivity and market access for smallholder

farmers. Promoting sustainable agricultural practices is crucial for ensuring the long-term productivity and environmental sustainability of the agricultural sector. Providing incentives and support for farmers to adopt agroforestry and organic farming practices, which can enhance soil health, biodiversity, and climate change resilience. Investing in research and development to develop and disseminate new sustainable agricultural technologies and practices. Raising awareness among farmers and the public about the importance of sustainable agriculture and the benefits of adopting environmentally friendly practices. Strengthening policy coordination and coherence between government agencies involved in agrarian reform and agribusiness development is essential for ensuring that policies are aligned and implemented effectively. Promoting collaboration and information sharing between different government agencies involved in land management, agricultural development, and rural development. Harmonizing policies across different sectors to avoid contradictions and ensure that they work together to achieve common goals. Establishing effective monitoring and evaluation mechanisms to track the progress of agrarian reform and identify areas for improvement.¹⁸⁻²⁰

5. Conclusion

The study underscores the need for a more nuanced and integrated approach to agrarian reform that prioritizes social equity alongside economic growth. This includes strengthening land governance, empowering smallholder farmers, promoting sustainable agricultural practices, and ensuring policy coherence. By addressing these challenges, Indonesia can optimize its agrarian reform efforts to achieve a more equitable and sustainable agricultural sector that benefits both smallholder farmers and the national economy, contributing to poverty reduction, food security, and sustainable development.

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