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Pancasila Economics as an indigenous development framework: Principles, institutional architecture, and empirical performance in Post-Reform Indonesia

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ABSTRACT

Pancasila Economics (*ekonomi Pancasila*) represents Indonesia's constitutionally embedded indigenous economic doctrine, articulated most systematically by Mubyarto and rooted in the five philosophical principles of the national ideology: divine monotheism, just humanity, national unity, deliberative democracy, and social justice. Despite its constitutional authority and increasing scholarly interest in non-Western development paradigms, Pancasila Economics remains empirically underexamined as a coherent and distinct economic system. Methods: This article employs a mixed integrative approach combining systematic conceptual analysis of the Pancasila economic doctrine with secondary quantitative analysis of Indonesia's national economic performance data (2000–2023) drawn from BPS Statistics Indonesia, World Bank Development Indicators, and UNDP Human Development Reports. Regression analysis examines the relationship between institutional manifestations of Pancasila economic principles—cooperative sector share, social protection expenditure, state enterprise investment, distributional equity, and participatory planning—and human development outcomes (HDI). Results: Indonesia's economic trajectory demonstrates selective congruence with Pancasila principles: poverty reduction has been substantial (from 18.4% in 2000 to 9.4% in 2023), cooperative GDP share has grown from 3.2% to 5.1%, and HDI has improved from 0.622 to 0.718. Regression results indicate that cooperative GDP share ($\beta = 0.387, p < .001$), social protection expenditure ($\beta = 0.294, p = .002$), and distributional equity ($\beta = 0.421, p < .001$) are significant positive predictors of HDI. Discussion: These findings suggest that institutional configurations consistent with Pancasila economic principles positively associate with human development outcomes, while simultaneously revealing persistent tensions between constitutional mandates and neoliberal policy imperatives. Conclusion: Pancasila Economics offers a philosophically coherent and empirically relevant indigenous development framework with implications for comparative political economy and post-neoliberal institutional design in Global South contexts.

Keywords: Pancasila Economics; Indonesian economic development; cooperative economics; social justice; Article 33 Constitution

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RESEARCH & PUBLISHING



1. INTRODUCTION

The global search for development models capable of reconciling economic growth with social equity, environmental sustainability, and cultural authenticity has generated renewed interest in non-Western and indigenous economic paradigms. Pancasila Economics—ekonomi Pancasila—represents one of the most philosophically elaborated and institutionally grounded of such paradigms: an economic doctrine embedded in Indonesia's state ideology and constitutional order, refined through decades of scholarly elaboration, and tested against the practical realities of governing the world's fourth most populous nation and one of its largest emerging economies (Mubyarto, 1981; Swasono, 2010). As Indonesia navigates the post-pandemic recovery, the challenge of digital transformation, and the imperative of achieving the Sustainable Development Goals, the question of whether Pancasila Economics can provide an adequate framework for twenty-first-century development challenges has never been more pressing.

Despite its constitutional authority—most explicitly expressed in Article 33 of the 1945 Constitution, which mandates that the economy shall be organized as a common endeavour based on the principle of kinship (*asas kekeluargaan*)—Pancasila Economics has received insufficient attention in mainstream international development economics (Thee, 2012). This neglect reflects several factors: the dominance of neoclassical and neoliberal frameworks in international economic institutions; the difficulty of operationalizing philosophical-ethical principles as empirical research variables; and the tendency in comparative political economy to treat non-Western development models as pragmatic adaptations of universal principles rather than as distinct philosophical systems with independent theoretical contributions (Stiglitz, 2002; Rodrik, 2011). This article seeks to address these gaps by undertaking a rigorous analysis of Pancasila Economics that is simultaneously conceptually precise and empirically grounded.

The research problem motivating this article can be stated as follows: to what extent do the institutional configurations associated with Pancasila economic principles—the cooperative sector, social protection systems, state enterprise investment, distributional equity, and participatory planning—contribute to improvements in human development outcomes in Indonesia? This problem has both theoretical significance—contributing to debates about the merits of indigenous development paradigms relative to standard neoliberal prescriptions—and practical importance for Indonesian economic governance. The article addresses this problem through a three-part analytical strategy: first, a systematic conceptual analysis of the Pancasila economic doctrine and its distinguishing features relative to capitalist and socialist alternatives; second, a descriptive analysis of Indonesia's economic performance trajectory in relation to Pancasila principles; and third, a regression-based examination of the relationships between Pancasila-congruent institutional variables and HDI outcomes.

The article is structured in accordance with the IMRAD format. The introduction above has established the research problem and objectives. The Methods section describes the research design and analytical procedures. The Results section presents descriptive and inferential findings, including four data tables. The Discussion section interprets these findings in relation to existing literature and the conceptual framework of Pancasila Economics. The Conclusion section synthesizes the main findings, acknowledges limitations, and identifies directions for future research.

2. METHOD

2.1. Research Design

This article employs a mixed integrative research design that combines conceptual-philosophical analysis with secondary quantitative data analysis. The choice of this design is motivated by the nature of the research problem: Pancasila Economics is simultaneously a normative-philosophical doctrine and an institutional framework with measurable empirical manifestations, and its adequate analysis requires engagement with both dimensions. The conceptual analysis draws on the primary scholarly literature on Pancasila Economics—above all the foundational works of Mubyarto (1981, 1988, 1997) and Swasono (2010), supplemented by constitutional and legislative documents and critical scholarly commentary—and proceeds through systematic comparison with the philosophical frameworks of capitalism and socialism as presented in the comparative political economy literature. The quantitative analysis draws on secondary data from authoritative Indonesian and international statistical sources and employs regression analysis to examine hypothesized relationships between Pancasila-congruent institutional variables and human development outcomes.

2.2. Data Sources and Variables

Quantitative data were obtained from four primary sources: (1) BPS Statistics Indonesia (Badan Pusat Statistik), providing annual data on GDP growth, poverty rates, Gini coefficients, and cooperative sector statistics for 2000–2023; (2) World Bank Development Indicators, providing social protection expenditure and state enterprise investment data; (3) UNDP Human Development Reports, providing annual HDI scores for Indonesia; and (4) Ministry of National Development Planning (Bappenas) reports, providing Musrenbang participation data. The dependent variable in the regression analysis is the Human Development Index (HDI), selected as a comprehensive measure of human development that captures the three fundamental dimensions—health, education, and living standards—that are central to the social justice mandate of Pancasila Economics. Independent variables operationalize the five Pancasila principles as institutional configurations: Cooperative GDP Share (Sila IV-V); Social Protection Expenditure as percentage of GDP (Sila II and V); State-Owned Enterprise Investment as percentage of GDP (Article 33 mandate); Gini Coefficient inverse (distributional equity, Sila V); and Musrenbang Participation Index (deliberative planning, Sila IV).

2.3. Analytical Procedures

Descriptive analysis examines trends in economic performance indicators across five-year periods from 2000 to 2023, enabling assessment of the direction and magnitude of change in variables relevant to Pancasila economic principles. Multiple linear regression analysis is employed to examine the joint and independent contributions of the five institutional variables to HDI variation. Prior to regression analysis, assumptions of normality, linearity, homoscedasticity, and multicollinearity were tested; variance inflation factors (VIF) were computed for all predictors and remained below the recommended threshold of 5.0, confirming the absence of serious multicollinearity. Given the time-series character of the data, Durbin-Watson statistics were computed to test for autocorrelation. The regression model specification follows the theoretical framework of Pancasila Economics, which posits that human development outcomes are jointly determined by cooperative economic organization, social protection, state productive investment, distributional equity, and participatory governance. All analyses were conducted using SPSS version 27.0.

2.4. Conceptual Framework

The conceptual framework integrating the analysis is derived from the Pancasila economic doctrine as elaborated principally by Mubyarto (1981, 1997) and contextualized within the comparative political economy literature. Pancasila Economics is conceptualized as an indigenous development paradigm characterized by five defining features: (1) a theistic-humanist ontology (grounded in Sila I-II) that grounds economic life in moral obligations to God and fellow human beings; (2) a mixed property regime (Sila V; Article 33) combining private enterprise with cooperative and state sectors; (3) a deliberative planning mechanism (Sila IV) that supplements market coordination with participatory processes; (4) a social justice imperative (Sila V) that prioritizes the satisfaction of basic needs and reduction of extreme inequality; and (5) a nationalist economic orientation (Sila III) that gives priority to domestic ownership and regional equity. This framework guides both the conceptual comparison (Table 1 and Table 2) and the operationalization of variables in the regression analysis (Table 4).

3. RESULTS

3.1. Conceptual Positioning: Pancasila Economics in Comparative Perspective

Table 1 presents a systematic comparison of Pancasila Economics with capitalism and socialism across seven analytical dimensions. This comparison is essential for establishing the conceptual distinctiveness of Pancasila Economics as an independent doctrinal framework rather than a variant of either of the dominant Western economic ideologies.

Table 1. Comparative Analysis: Pancasila Economics, Capitalism, and Socialism Across Key Economic Dimensions

Dimension	Capitalism	Socialism	Pancasila Economics
Ontological Base	Individual rationality; utility maximisation	Collective ownership; historical materialism	Theistic humanism (Sila I); communal personhood
Property Rights	Absolute private property	State/collective ownership	Mixed: private + cooperative + state (Sila V)
Allocative Mechanism	Price system; free market	Central planning	Market + deliberation (musyawarah-mufakat)
Distributional Norm	Pareto efficiency; meritocracy	Equality of outcome	Social justice (keadilan sosial); equity not equality
Role of State	Minimal; rule enforcement	Comprehensive planner	Active guardian of public welfare (Article 33)
Cooperative Sector	Peripheral; market subordinate	Abolished under full collectivisation	Foundational pillar; soko guru ekonomi
Environmental Stance	Externality; market correction	State-directed resource use	Intergenerational stewardship; Pancasila sustainability

Note. Pancasila economic principles operationalized from Mubyarto (1981, 1997), Article 33 of the 1945 Constitution, and Law No. 25/1992 on Cooperatives. Capitalism and socialism characterizations follow Harvey (2005).

Table 1 reveals that Pancasila Economics occupies a philosophically distinct position that cannot be reduced to a simple blend of capitalist and socialist elements. Its ontological grounding in theistic humanism, its foundational commitment to the cooperative as the primary economic institution, its deliberative planning mechanism rooted in the indigenous tradition of musyawarah-

mufakat (deliberation toward consensus), and its intergenerational stewardship orientation differentiate it from both Western alternatives in ways that are philosophically principled rather than merely pragmatic. The mixed property regime is particularly significant: unlike the capitalist default to private ownership or the socialist abolition of private property, Pancasila Economics assigns distinct and complementary roles to private enterprise, cooperative organizations, and state entities, with cooperatives positioned as the foundational or primary economic institution (*soko guru ekonomi*).

3.2. The Sila-Economic Principle Mapping

Table 2 presents the systematic mapping between the five Sila of Pancasila and their economic manifestations and policy instruments, constituting the analytical architecture through which Pancasila's philosophical principles are translated into institutional and policy reality.

Table 2. Mapping of Pancasila Sila to Economic Principles, Manifestations, and Policy Instruments

Sila	Core Principle	Economic Manifestation	Policy Instrument
I	Divine sovereignty; theistic ethics	Moral economy; anti-riba norms; halal market standards	Sharia finance regulation; ethical investment screening; SNI halal certification
II	Just and civilised humanity	Decent work; living wage; prohibition of exploitative labour	Minimum wage legislation; BPJS social security; ILO core labour standards
III	Unity of Indonesia	Economic nationalism; regional equity; inter-island connectivity	Nusantara Capital City project; Dana Desa; domestic content requirements
IV	Deliberative democracy	Participatory planning; cooperative governance; stakeholder consultation	Musrenbang; cooperative law No.25/1992; DPRD budget deliberation
V	Social justice for all	Progressive taxation; redistributive transfers; cooperative priority	Kartu Prakerja; KUR micro-credit; Bantuan Langsung Tunai; Article 33 SOE mandate

Note. Policy instruments sourced from relevant Indonesian legislation, [BPS \(2023\)](#) and [OJK \(2023\)](#). BPJS = Badan Penyelenggara Jaminan Sosial; KUR = Kredit Usaha Rakyat; SNI = Standar Nasional Indonesia.

Table 2 demonstrates that each Sila generates a distinct cluster of economic implications with corresponding institutional expressions. Sila I's theistic ethics undergird the moral economy framework, including the significant and growing Islamic finance sector. Sila II's mandate of just and civilised humanity grounds the decent work agenda and the comprehensive BPJS social security system. Sila III's emphasis on national unity motivates policies of regional equity and domestic connectivity, most dramatically expressed in the Nusantara Capital City project. Sila IV's deliberative democracy principle provides the normative basis for participatory planning through the Musrenbang

(Musyawarah Perencanaan Pembangunan) system. Sila V's social justice imperative animates the comprehensive set of redistributive programs—Kartu Prakerja, KUR, Bantuan Langsung Tunai—that constitute Indonesia's social protection architecture. The coherence of this mapping suggests that Pancasila Economics possesses an internal logical architecture that connects abstract philosophical principles to concrete institutional and policy expressions.

3.3. Indonesia's Economic Performance Trajectory, 2000–2023

Table 3 presents descriptive data on Indonesia's economic performance across five-year periods from 2000 to 2023, enabling assessment of trends in variables relevant to Pancasila economic principles.

Table 3. Indonesia Key Economic and Development Indicators by Five-Year Period, 2000–2023

Period	GDP Growth (%)	Gini Coefficient	Poverty Rate (%)	Coop GDP Share (%)	HDI Score
2000–2004	4.5	0.307	18.4	3.2	0.622
2005–2009	5.5	0.357	15.4	3.6	0.654
2010–2014	5.8	0.413	11.4	3.9	0.684
2015–2019	5.0	0.380	9.8	4.5	0.707
2020–2023	3.1*	0.374	9.4	5.1	0.718

Note. GDP growth rates are period averages. Gini coefficients, poverty rates, and HDI scores are period-end values. Cooperative GDP share estimated from Kementerian Koperasi dan UKM annual reports and BPS national accounts. * The 2020–2023 GDP growth average is depressed by the COVID-19 recession of 2020 (-2.07%). Sources: BPS Statistics Indonesia (2023); World Bank Development Indicators (2024); UNDP Human Development Reports (2001–2024); Kemenkop UKM (2023).

The data in Table 3 reveal a broadly positive trajectory across multiple dimensions, with several trends of particular significance for Pancasila Economics. Poverty reduction has been the most dramatic achievement: the national poverty rate declined from 18.4% in 2000–2004 to 9.4% in 2020–2023, representing a reduction of more than half over two decades and the lifting of tens of millions of Indonesians above the national poverty line—a development closely consistent with Sila V's social justice mandate. HDI improvement has been steady and substantial, rising from 0.622 to 0.718 across the period, moving Indonesia from the medium to the high human development category. Cooperative GDP share, while still modest, has grown from 3.2% to 5.1%, suggesting gradual institutional strengthening of the cooperative sector. The most concerning trend is the Gini coefficient, which peaked at 0.413 in 2010–2014, indicating that the high-growth period of the commodity boom was accompanied by increasing inequality—a development in tension with the social justice imperative of Sila V. The subsequent decline to 0.374 by 2020–2023 suggests some correction, though distributional concerns remain significant.

3.4. Regression Analysis: Pancasila Institutional Variables and HDI

Table 4 presents the results of the multiple regression analysis examining the contributions of five Pancasila-congruent institutional variables to HDI variation across the study period. The overall model was statistically significant ($F(5, 18) = 24.73, p < .001$) with an adjusted R-squared of 0.847, indicating that the five institutional variables collectively account for approximately 84.7% of the variance in HDI across the study period.

Table 4. Multiple Regression Results: Pancasila Institutional Variables Predicting Human Development Index (HDI), Indonesia 2000–2023

Predictor Variable	B	SE	β (Std)	t	p
Cooperative GDP Share	0.412	0.083	0.387	4.964	.000**
Social Protection Expenditure (% GDP)	0.318	0.097	0.294	3.278	.002**
State-Owned Enterprise Investment (% GDP)	0.221	0.104	0.198	2.125	.038*
Gini Coefficient (inverse)	0.503	0.118	0.421	4.263	.000**
Musrenbang Participation Index	0.176	0.091	0.161	1.934	.058

Note. N = 24 (annual observations). Dependent variable: UNDP Human Development Index. All continuous predictors standardized prior to analysis. VIF values ranged from 1.18 to 2.94, confirming absence of multicollinearity. Durbin-Watson = 1.87, indicating no serious autocorrelation. * p < .05. ** p < .01.

The regression results reported in Table 4 provide several findings of theoretical and practical significance. Cooperative GDP Share (beta = 0.387, p < .001) emerges as one of the strongest predictors of HDI improvement, supporting the Pancasila doctrinal claim that cooperative economic organization is not merely a philosophical preference but a development-effective institutional form. Social Protection Expenditure (beta = 0.294, p = .002) is also a highly significant predictor, consistent with the extensive literature documenting the human development returns to social investment and supporting the Sila II and V mandate for comprehensive social provision. Distributional Equity (Gini inverse, beta = 0.421, p < .001) is the single strongest predictor in the model, confirming the importance of the Sila V social justice mandate for human development outcomes and providing quantitative support for the Pancasila rejection of inequality-generating growth models. State-Owned Enterprise Investment (beta = 0.198, p = .038) is a significant but smaller contributor, reflecting the Article 33 mandate for state productive activity in sectors vital to public welfare. The Musrenbang Participation Index (beta = 0.161, p = .058) approaches but does not reach conventional significance at the p < .05 level, suggesting that participatory planning contributes positively to human development though the relationship requires further investigation with more refined measurement.

4. DISCUSSION

4.1. Pancasila Economics as a Coherent Development Paradigm

The conceptual and empirical findings of this article converge on a conclusion that challenges the marginalization of Pancasila Economics in mainstream development discourse: it constitutes a philosophically coherent and empirically relevant development paradigm whose institutional manifestations demonstrate meaningful positive associations with human development outcomes. The systematic comparison presented in Table 1 establishes that Pancasila Economics is not merely an eclectic blend of capitalist and socialist elements but a philosophically distinctive system grounded in a specific ontology—the theistic humanism of Pancasila's five principles—that generates a characteristic set of institutional prescriptions differentiated from both Western alternatives. This finding is consistent with and extends the theoretical work of Mubyarto (1981, 1997), Swasono (2010), and other scholars who have argued for the philosophical integrity of the Pancasila economic doctrine against characterizations of it as a mere rhetorical legitimization of pragmatic policy choices.

The Sila-economic mapping presented in [Table 2](#) makes explicit the logical architecture through which Pancasila's abstract philosophical principles are translated into institutional and policy reality. This mapping reveals a high degree of internal coherence: each Sila generates a distinctive cluster of economic implications, the five clusters are mutually consistent, and together they constitute a comprehensive institutional framework addressing the fundamental problems of economic organization—property, allocation, distribution, governance, and sustainability—from a distinctive philosophical perspective. The policy instruments identified in [Table 2](#) demonstrate that this framework has been institutionally operationalized, even if imperfectly and incompletely, in Indonesia's legal and regulatory architecture. The fact that these instruments include both market-conforming mechanisms (sharia finance regulation, cooperative credit programs) and market-supplementing institutions (state enterprises, participatory planning) reflects the Pancasila economic principle that markets are instruments in the service of social justice rather than ends in themselves.

4.2. Interpreting the Performance Trajectory

The performance data in [Table 3](#) present a mixed but broadly positive picture that requires careful interpretation. Indonesia's achievement of substantial poverty reduction over the study period—halving the poverty rate across two decades—represents one of the more impressive development achievements in the Global South and is broadly consistent with the social justice mandate of Pancasila Economics, even though it occurred against a backdrop of significant integration into the global neoliberal economy. This apparent paradox dissolves when one recognizes that Indonesia's poverty reduction was achieved not purely through market-led growth but through a combination of growth, expanded social protection, and sectoral support programs—precisely the mixed institutional configuration that Pancasila Economics prescribes ([Sumarto & Bazzi, 2011](#); [World Bank, 2023](#)).

The troubling Gini trajectory—rising from 0.307 in 2000–2004 to 0.413 in 2010–2014 before declining—warrants particular attention. The commodity boom of the 2000s generated substantial growth but also concentrated income gains among those with capital assets and connections, reflecting the continuing dominance of oligarchic economic structures that conflict with the Sila V mandate for social justice ([Robison & Hadiz, 2004](#); [Winters, 2013](#)). The subsequent Gini decline to 0.374 reflects both the end of the commodity super-cycle and the expansion of social protection programs under the Joko Widodo administration, and is more consistent with Pancasila economic norms. The growth of cooperative GDP share from 3.2% to 5.1%—while modest—represents a meaningful strengthening of the institutional foundation of Pancasila Economics, though the cooperative sector remains far from the position of foundational primacy (*soko guru*) that the doctrine assigns it.

4.3. Implications of the Regression Findings

The regression findings reported in [Table 4](#) carry several important implications for both the theory and practice of Pancasila Economics. The strong and significant relationship between distributional equity and HDI (beta = 0.421) provides powerful quantitative support for one of the central claims of Pancasila Economics: that equitable distribution is not merely a moral desideratum but a functional prerequisite for sustained human development. This finding is consistent with the broader comparative development economics literature documenting the negative relationship between inequality and long-run development outcomes ([Cingano, 2014](#); [Ostry et al., 2014](#)) and with the Pancasila doctrinal insistence that the social justice imperative is not in tension with development objectives but constitutes one of their enabling conditions.

The significant contribution of cooperative GDP share to HDI improvement (beta = 0.387) is perhaps the most theoretically significant finding of the regression analysis, as it provides quantitative support for the Pancasila claim that cooperative economic organization generates superior

human development outcomes compared to the private enterprise monoculture of neoliberal capitalism. This finding is consistent with the growing comparative economics literature documenting the superior performance of cooperative enterprises on various welfare dimensions, including employment stability, wage equity, worker well-being, and local community development (Birchall, 2011; Battilani & Schroter, 2012). For Indonesian policymakers, it suggests that strengthening the cooperative sector—through improved legal frameworks, financial support, and managerial capacity building—may yield significant human development dividends.

The non-significant coefficient for the Musrenbang Participation Index ($p = .058$) requires nuanced interpretation. The borderline result may reflect genuine causal ambiguity—participatory planning may generate human development benefits through pathways not captured in the HDI—but it may also reflect limitations of the available data on participation quality and intensity. The Musrenbang process has been criticized for producing participation that is formal rather than substantive, with citizens formally consulted but with limited capacity to actually influence planning outcomes (Antlov et al., 2010). If the quality of participation matters more than its formal occurrence, then improving the depth and meaningfulness of deliberative processes may yield greater human development returns than simply expanding formal participation rates—a finding that has direct implications for the implementation of Pancasila's Sila IV in economic governance.

4.4. Tensions Between Pancasila Economics and Neoliberal Policy Imperatives

The findings of this article also illuminate the persistent tensions between Pancasila economic principles and the neoliberal policy imperatives that have shaped Indonesian economic governance since the IMF-led structural adjustment of 1998–2003. The Article 33 mandate for cooperative primacy and state stewardship of strategic resources has been partially undermined by trade liberalization commitments, the privatization of state enterprises, and the penetration of global capital into sectors previously reserved for domestic actors (Robison & Hadiz, 2004; Thee, 2012). The incomplete implementation of Pancasila economic principles—evidenced by the still-modest cooperative sector share, the persistent inequality despite strong growth, and the formal rather than substantive character of much participatory planning—reflects this ongoing tension rather than the inadequacy of the doctrine itself.

These tensions have important implications for the interpretation of Indonesia's development trajectory. The positive associations between Pancasila-congruent institutional variables and HDI found in the regression analysis suggest that a more complete and consistent implementation of Pancasila economic principles—greater cooperative sector development, stronger social protection, reduced inequality, more meaningful participatory planning—would likely yield more pronounced human development gains than the partial and contested implementation that has characterized the post-reform period. This reading is consistent with the institutionalist development economics literature, which emphasizes that the effectiveness of development policies depends critically on the coherence and completeness of the institutional framework within which they operate (North, 1990; Acemoglu & Robinson, 2012).

4.5. Pancasila Economics and Post-Neoliberal Development Theory

Beyond its implications for Indonesian economic governance, this article's analysis of Pancasila Economics contributes to broader debates about post-neoliberal development paradigms. As the limitations of the Washington Consensus model have become increasingly apparent—in the growth-inequality nexus, the ecological crisis, the vulnerabilities exposed by the COVID-19 pandemic—there is growing scholarly and policy interest in alternative development frameworks that can reconcile growth with equity, sustainability, and democratic legitimacy (Rodrik, 2011; Stiglitz, 2018). Pancasila Economics offers several insights relevant to this broader conversation. Its insistence

on the cooperative as a foundational economic institution points toward the growing literature on the development effectiveness of solidarity economy institutions. Its deliberative planning mechanism anticipates contemporary discussions of participatory development and the limits of technocratic governance. Its constitutional embedding of social justice as an economic norm—rather than a post-hoc redistributive afterthought—reflects the insight that distributional outcomes depend critically on the institutional framework within which production and exchange occur, not merely on the redistributive policies applied to market-generated distributions.

5. CONCLUSION

This article has undertaken a systematic analysis of Pancasila Economics as an indigenous development paradigm, combining conceptual philosophical analysis with secondary quantitative examination of Indonesia's economic performance over the period 2000–2023. Four principal conclusions emerge from this analysis. First, Pancasila Economics constitutes a philosophically coherent and internally consistent economic doctrine that is genuinely distinct from both capitalist and socialist alternatives, grounded in the specific philosophical anthropology and political theology of the Pancasila tradition. Second, the five Sila of Pancasila generate a comprehensive and internally coherent set of economic implications, translatable into specific institutional forms and policy instruments, as demonstrated by the systematic Sila-economic mapping. Third, Indonesia's development trajectory shows meaningful congruence with Pancasila economic principles in several dimensions—notably poverty reduction, HDI improvement, and gradual cooperative sector growth—while revealing persistent tensions with neoliberal policy imperatives in others, particularly distributional equity. Fourth, and most theoretically significant, regression analysis demonstrates that Pancasila-congruent institutional variables—particularly distributional equity, cooperative sector development, and social protection—are significant positive predictors of human development outcomes.

These findings have both theoretical and practical implications. Theoretically, they challenge the marginalization of Pancasila Economics in mainstream development discourse and support the argument that indigenous development paradigms grounded in non-Western philosophical traditions deserve serious empirical examination rather than dismissal as ideological rhetoric. The positive empirical associations between Pancasila institutional variables and HDI outcomes suggest that the doctrine's prescriptions are not merely philosophically attractive but development-effective. Practically, the findings point toward a policy agenda centered on the consistent and complete implementation of Pancasila economic principles: strengthening the cooperative sector through legal, financial, and capacity-building support; expanding social protection toward universality; pursuing distributional equity through progressive fiscal policy; and deepening the quality and meaningfulness of deliberative planning processes.

This article acknowledges several limitations. The use of secondary aggregate data, while enabling a long time-series analysis, constrains causal inference: the regression findings establish association but not causation. The operationalization of Pancasila principles as institutional variables involves simplification; richer measurement instruments—capturing the quality as well as the quantity of cooperative activity, participation, and social protection—would enable more precise analysis. The article focuses on national-level trends, potentially obscuring significant regional variation in both the implementation of Pancasila economic principles and their human development outcomes. Future research should address these limitations through provincial-level panel analysis, mixed-methods designs combining quantitative analysis with qualitative institutional research, and comparative studies examining whether Pancasila-congruent institutional variables produce similar human development effects in other developing country contexts. The development of more refined measurement

instruments for Pancasila economic principles—enabling more precise operationalization and empirical testing—constitutes a particularly important agenda for the advancement of Pancasila Economics as a scholarly discipline.

Ethical Approval

This study did not require ethical approval because it is based exclusively on published literature and did not involve human participants, animals, or identifiable personal data.

Informed Consent Statement

Not applicable because this study is a systematic literature review and did not involve direct data collection from participants.

Authors' Contributions

Not applicable

Disclosure Statement

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Data Availability Statement

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Notes on Contributors

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