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Governance Asymmetry Under Economic Pressure: A Resource-Based Perspective on K-Shaped Sustainability in Indonesia

I Made Satyaguna[1]*, Dwi Cahyono[2]

[1*] Faculty of Economics and Business , Primagraha University, Indonesia
[2] University of Muhammadiyah Jember, Indonesia

Corresponding author: imadesatyaguna@upg.ac.id[1)]*

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Abstract: When developing countries face economic problems, the recovery often occurs unevenly across sectors and social classes. Indonesia is currently facing various structural difficulties, such as a shrinking middle class, increasing informal employment, rising taxes, changes in capital flows, and symptoms of deindustrialization. This situation can have an impact on the long-term health of the economy. This study aims to examine the ability of governance to influence sustainability trends in the context of economic pressures through the perspective of Resource-Based View (RBV). Using a conceptual-analytical approach based on macroeconomic secondary data from 2019 to 2025, this study shows that variations in sectoral and social group resilience are influenced by governance capabilities that serve as strategic resources at the national level. Governance asymmetry has led to a K-shaped pattern of sustainability, with some sectors showing adaptive resilience and others showing structural fragility. This research underscores the importance of policy coordination, implementation of structural adjustments, and strengthening of social protection systems to eliminate governance asymmetry and promote sustainable growth in a more open Indonesia.

Introduction

The economic difficulties faced by developing countries often not only contribute to slowing growth but also lead to resilience gaps among various sectors and social groups. In Indonesia, the period from 2019 to 2025 shows several signs of interrelated structural pressures, such as a decline in the middle class, a significant number of informal employment that remains around 58 to 59 percent, increasing pressures on fiscal deficits, fluctuations in capital flows, and indications of early deindustrialization. This condition shows that the challenges faced are not only cyclical but have structural elements that can affect the sustainability of long-term development.

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Economic changes show inconsistent trends. Some sectors, such as the digital economy and certain commodities, are showing levels of strength, while other areas, such as labor-intensive manufacturing and conventional market-focused companies, face greater difficulties. This trend indicates an uneven recovery or adjustment, often described as a K-shaped pattern.

Theoretically, the relationship between governance and sustainability is very broad in the study of management and development economics. The Resource-Based View (RBV) perspective emphasizes that organizational excellence and sustainability depend on the ability to manage resources that are valuable, scarce, difficult to replicate, and not easily replaceable. While RBV was initially developed in a business context, this point of view can be extrapolated to a larger scale by considering governance as an intangible strategic asset. In the context of a nation, governance capability signifies the institutional ability to manage fiscal operations, maintain monetary stability, coordinate sectoral policies, and provide an effective social protection system.

Previous studies have largely focused on the impact of governance quality on economic outcomes, either at the macro level or within individual firms. In general, governance is seen as a factor that is expected to operate uniformly across the country. However, when economic pressure occurs, the distribution and use of governance resources can be inconsistent. Certain sectors may receive stronger policy support than others, resulting in differences in their long-term resilience and survival.

The key issue is whether governance capabilities, when faced with economic challenges, can truly advance sustainability in an inclusive manner or if they expose inequalities that result in inconsistent sustainability patterns. In Indonesia, elements such as budget constraints, large informal labor, and dependence on commodity exports cast doubt on how well national governance can act as a strategic resource to promote sustainability in various sectors and social groups.

From a normative perspective, it is hoped that effective governance can lead to stability, strengthen economic resilience, and encourage a more equitable distribution of development benefits. Ideally, governance should act as a mechanism to support structural change and reduce inequality. However, from an empirical point of view, the current situation reveals a gap between various sectors and social groups in the face of economic challenges. The decline of the middle class, stagnation in labor-intensive sectors, and the increasing vulnerability of the informal workforce illustrate that sustainability is not developing uniformly. The gap between the normative ideals of inclusive governance and the current fragmented structural reality is the basis of the research gap.

The novelty of this research lies in its attempt to combine the Resource-Based View framework with governance analysis on a national scale to explore the K-shaped sustainability phenomenon in the midst of economic challenges. By utilizing secondary data on Indonesia's macroeconomic and institutional from 2019 to 2025, this study seeks to illustrate that differences in governance abilities result in the development of uneven sustainability patterns.

The purpose of this study is to investigate how governance capabilities function as strategic national assets that impact sustainability trends in times of economic hardship in Indonesia. In particular, this study aims to identify whether there are differences in the application of governance capabilities that result in the emergence of K-shaped sustainability patterns, as well as formulate appropriate policy suggestions to encourage more inclusive and sustainable development.

Research Method

This study uses a conceptual-analytical method that utilizes secondary data to explore the interaction between economic pressures, governance capabilities, and sustainability trends in Indonesia. This method was chosen because the main objective of this study is to understand the structural dynamics that exist in the national economic system through the perspective of the Resource-Based View (RBV), not to test causal relationships statistically. Within this framework, governance is considered an intangible strategic asset at the state level and affects the resilience and sustainability of development.

The research analysis unit focuses on Indonesia's national governance system, with a data period from 2019 to 2025. This time frame was chosen because it depicts the circumstances before the increase in economic pressures, the phase of global disruption caused by the pandemic, and the subsequent recovery and structural adjustments. Adopting this longitudinal method allows the identification of significant lasting changes to understand patterns of sustainable development. The data used in this study came from official documents from the Central Statistics Agency (BPS), the Ministry of Finance of the Republic of Indonesia, and Bank Indonesia. All data are presented as annual time series to highlight the dynamics of economic pressures and institutional responses. The indicators examined include fiscal factors, financial stability, employment patterns, and socio-economic conditions of the community. Below is a table that summarizes Indonesia's macroeconomic indicators throughout the research period.

Table 1. Summary of Indonesia's Macroeconomic Indicators (2019–2025)

Indicator	2019	2020	2021	2022	2023	2024	2025
Economic Growth (%YoY)	5.02%	2.07%	3.69%	5.31%	5,05%	5,03%	5,11%
Budget Deficit (% of GDP)	2.2%	6.09%	4.57%	2.38%	1,65%	2,29%	2,92%
Public Debt Ratio (% of GDP)	30.2%	39,4%	41.6%	39.57%	38,59%	39.36%	40.46%
Informal Labor (% total)	57.27%	59.17%	59.62%	59.31%	60.12%	57.95%	59.4%
Proportion of the Middle Class (%population)	21.45%	17.13%	19.82%	18.06%	18.8%	17.13%	16.6%

Source: BPS, Ministry of Finance, Bank Indonesia

The selected indicators reflect important aspects of economic pressures and governance response capacity. Economic growth serves to describe the trend of national economic activity. The budget deficit and public debt ratio show the government's financial ability to sustain economic stability. The level of labor informality indicates the structure of the labor force and the level of economic vulnerability, while the share of the middle class indicates the socioeconomic resilience of the community and the survival of domestic consumption. In this analysis, governance capacity is interpreted not through a composite index but as institutional capacity, which is evident in fiscal policy consistency, macroeconomic stability, and the government's ability to handle economic pressures. From the perspective of RBV, governance is seen as a strategic asset that affects the relationship between economic challenges and development sustainability.

The analysis is carried out in three main phases. The initial phase involves understanding the context of economic pressures by reviewing the trends of macroeconomic indicators throughout the study period. This phase is focused on confirming that the observed variation

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represents an underlying structural problem rather than just temporary fluctuations. The second stage focuses on assessing institutional response capacity by analyzing fiscal, monetary, and socioeconomic indicators as a reflection of governance capabilities in action. The final phase includes mapping sustainability trends by comparing interactions between indicators to uncover potential imbalances in the distribution of policy support.

To ensure the accuracy of the analysis, this study uses the concept of indicator triangulation, which involves examining several interrelated variables within the same time period. This method seeks to prevent interpretive bias that relies on only one indicator. All interpretations are carried out with reference to the RBV framework, which considers governance to be a vital national resource, allowing changes in macroeconomic trends to be considered as a manifestation of the allocation and utilization of institutional capabilities.

Using this approach, this study aims to provide a comprehensive understanding of the interaction between economic and governance pressures in influencing sustainability trends in Indonesia. This methodology does not focus on statistical generalizations but rather on thorough structural analysis that is relevant to improving governance and promoting sustainable development.

Sustainable development in economic discussions today is viewed not only in terms of overall growth sustainability, but also as the ability of economic systems to maintain structural stability and enhance social inclusion in the long term. Studies have shown that stable economic growth does not necessarily mean a fair distribution of resilience among different social groups and economic sectors (Béné, Sabates-Wheeler, and Devereux, 2021). In the case of developing countries, these dynamics often reveal internal gaps that worsen under economic pressures, especially affecting vulnerable populations and the informal sector (Rodrik, 2021).

Research on governance and development usually underscores the importance of institutional quality in shaping economic growth and stability (Kaufmann and Kraay, 2020). Additional studies show that governance capacity affects how effectively policies can respond to external shocks, affecting fiscal stabilization and coordination between sectors (Khan, 2021). However, many studies tend to assume a rather linear relationship between governance and economic performance, ignoring the investigation of how variations in governance mobilization can lead to different sustainability outcomes within a country.

In the strategic management literature, the Resource-Based View (RBV) states that the sustainability of a company's performance is influenced by its ability to manage resources that are valuable, scarce, difficult to replicate, and not easily replaceable (Barney and Clark, 2020). This perspective was further developed through the idea of dynamic capabilities, which highlights the importance of adaptability to changes in the external environment (Teece, 2020). Although RBV was initially formulated to explain differences in firm performance, some studies have begun to modify it for institutional frameworks by examining governance as a strategic resource that influences national economic resilience (Carney, Gedajlovic, and Yang, 2021; Gong and Chang, 2022).

Research on government responses during crises shows that interventions are not always evenly distributed. Fiscal and industrial policy priorities often focus on specific sectors that are considered strategic or that make a significant contribution to the economy (Dosi and Mazzucato, 2021). In these conditions, economic pressures can exacerbate existing structural gaps if governance capabilities are not included inclusively. Haldane and McMahon (2021) show that the economic recovery phase after a crisis often shows a divergence pattern, in

which certain sectors recover faster than others. Stiglitz (2021) also argues that uneven policy responses can perpetuate social inequality over time.

Although the existing literature has explored the relationship between governance, economic challenges, and resilience, there is still a lack of studies that specifically address how the distribution of governance mobilization affects the formation of K-shaped sustainability patterns. In the case of developing countries with dual economic structures, prevalent informality, and dependence on commodities such as Indonesia, this theoretical gap becomes very important.

According to the literature review, there is a gap between anticipated normative conditions in particular, governance that can facilitate inclusive growth and equitable sustainability and the actual empirical situation, which shows differences in resilience across different sectors and social groups. The current literature has not been able to adequately explain how differences in the mobilization of governance capabilities during economic challenges lead to fragmented sustainability. Therefore, there is an opportunity to create a conceptual framework that views governance as a strategic resource at the macro level and examines how it is distributed in times of economic stress.

The study addresses this gap by adopting a Resource-Based View (RBV) at the national level, considering governance as a country's strategic capability that influences how sustainability is distributed. The proposed conceptual framework identifies economic pressures as catalysts (external pressures), mobilization of governance capabilities as a mediation mechanism (deployment of institutional resources), and sustainability patterns as the resulting outcomes. When governance mobilization is inclusive and equitable, economic pressures can be addressed without causing significant differences. Conversely, if mobilization is concentrated or uneven, economic pressures can lead to a K-shaped pattern of sustainability, in which some sectors and social groups thrive, while others face stagnation or a decline in structural resilience.

Therefore, this study goes beyond simply summarizing the relevant literature to methodically build a theoretical foundation for understanding the causal linkages between economic pressures, mobilization of governance capacities, and national sustainability patterns. By combining the Resource-Based View framework with insights from the governance and economic resilience literature, the study proposes a fundamental assumption that governance functions as a strategic resource, and that its allocation and level of implementation affect the differences seen in development outcomes.

Result and Discussion

1. Economic Growth Dynamics and Macro Stability

Indonesia's economic growth from 2019 to 2025 shows a dynamic nature that highlights its economic resilience in the face of global challenges. In 2019, the economy grew by 5.02 percent, but faced a sharp decline due to the COVID-19 pandemic in 2020, dropping to 2.07 percent. The recovery of economic performance began in 2021, with growth recorded at 3.69 percent, reaching a high level of 5.31 percent in 2022. Furthermore, growth stability has been maintained at around 5 percent over the period 2023 - 2025.

Stable economic growth highlights Indonesia's capacity in macroeconomic governance to maintain stability with flexible fiscal and monetary strategies. From the perspective of the Resource-Based View (RBV), this stability shows that governance acts as a valuable resource that can uphold economic performance in the face of external challenges. Nevertheless, growth stability does not fully demonstrate equitable sustainability, as socioeconomic

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indicators reveal gaps in resilience among different groups of people.

2. Fiscal Capacity and Economic Policy Resilience

Indonesia's fiscal situation during the study period showed considerable pressure, especially in the midst of a pandemic. The budget deficit jumped from 2.20 percent of GDP in 2019 to 6.09 percent in 2020, before gradually declining to 1.65 percent in 2023. Nevertheless, the deficit is projected to increase again in 2024 and 2025, reaching 2.29 percent and 2.92 percent of GDP, respectively. This trend describes a cycle of fiscal stabilization that reflects the government's response to changing economic conditions.

In contrast, the public debt ratio rose from 30.20 percent of GDP in 2019 to 41.60 percent in 2021, then fell again in 2023, only rising once again in 2025 to 40.46 percent. While this remains within the acceptable thresholds set by Indonesia's fiscal policy, this pattern suggests a long-term reduction in fiscal capacity.

In the framework of RBV, fiscal capacity represents the ability of governments to efficiently manage economic resources. The variation in deficit and debt ratios suggests that fiscal governance acts as an adaptive mechanism that upholds economic stability. Nevertheless, limited fiscal space can affect development policy allocations, leading to sustainability gaps among different sectors and social groups.

3. Employment Structure and Socio-Economic Resilience

Employment statistics show that the prevalence of informal employment in Indonesia consistently remained high during the study period. The share of the informal workforce rose from 57.27 percent in 2019 to 59.17 percent in 2020, reaching a peak of 60.12 percent in 2023. Although it dropped to 57.95 percent in 2024, the level of informality soared again in 2025, rising to 59.40 percent.

A significant level of informality highlights the challenges faced by structural transformations in integrating formal work. This situation shows that while the national economy is witnessing steady growth, the development benefits have not been distributed fairly. From the perspective of the Resource-Based View (RBV), the employment landscape, which is mainly characterized by the informal sector, reveals obstacles in utilizing institutional resources to encourage sustainable formal employment opportunities. This condition shows that governance capabilities are inadequate in closing the gap between economic growth and job quality. As a result, the socio-economic resilience of communities becomes inconsistent, potentially perpetuating different sustainability trends.

4. Depreciation of the Middle Class and Implications for Sustainability

The percentage of the middle class in Indonesia experienced a significant decline throughout the study period. In 2019, the middle class made up 21.45 percent of the overall population, but it dropped to 17.13 percent in 2020. Despite an increase in 2021 to 19.82 percent, the downward trend continued, resulting in a decline to 16.60 percent by 2025. The decline in the middle class signals a decline in people's purchasing power and an increase in economic vulnerability. From a sustainability perspective, the middle class plays an important role in driving domestic consumption and maintaining social stability. The reduction in the share of the middle class highlights the challenges faced in relation to economic mobility and the welfare of the population.

From the perspective of the Resource-Based View (RBV), this situation shows that the governance capabilities necessary to maintain socio-economic stability are not being utilized

to the fullest. Uneven variations in the implementation of development policies can affect the resilience of certain communities, leading to gaps in sustainability among different social groups.

5. Governance Asymmetry and K-Shaped Sustainability Patterns

The findings of the analysis show that Indonesia's macroeconomic landscape between 2019 and 2025 shows an imbalance in the utilization of governance capabilities. The consistency of economic growth and fiscal policy shows that institutions have the ability to maintain macroeconomic balance. Nonetheless, the high level of labor informality and the decline of the middle class reveal that the benefits of this stability are not evenly shared. This situation illustrates the emergence of a K-shaped sustainability pattern, in which certain sectors and social groups demonstrate resilience and adaptability, while others face structural vulnerabilities. Sectors linked to formal systems and economic policies show greater resilience, while the informal sector and communities are at risk of increased pressure.

In the context of the Resource-Based View (RBV), governance asymmetry can be interpreted as an uneven allocation of institutional strategic resources. When governance capabilities are activated adaptively but inconsistently, development sustainability tends to be distorted. Therefore, governance not only serves as a stabilization mechanism but also as a crucial element that affects the trajectory of national development sustainability.

6. Policy Implications

The results of this study highlight the need to improve governance capabilities to promote more inclusive sustainability. It is important for governments to improve fiscal and monetary policy coordination to maintain macroeconomic stability while responsibly expanding fiscal capacity. In addition, structural reforms aimed at increasing productivity in the formal sector and lowering labor informality are essential to strengthen long-term economic resilience. Prioritizing the strengthening of the middle class is also crucial to maintain the stability of domestic consumption and encourage sustainable economic growth. Initiatives that facilitate structural transformation, promote the development of value-added industries, and improve the quality of human resources can reduce governance inequalities and promote a fairer distribution of development benefits

Conclusion

This study aims to examine the relationship between economic challenges, governance capacity, and sustainable development in Indonesia through the perspective of Resource-Based View (RBV). Using a conceptual-analytical framework and utilizing secondary data from 2019 to 2025, the study reveals that economic pressures do not produce consistent effects, but rather create gaps in the distribution of sustainable development. The results of the study show that Indonesia's economic growth remains stable at around 5 percent after the phase of global disruption, demonstrating the ability of macroeconomic governance to uphold stability. However, fiscal challenges, characterized by budget deficit volatility and rising public debt ratios, reveal limitations in policy options for the long term. Conversely, the prevalence of the informal sector in the labor market and the decline in the percentage of the middle class indicate that the gains of economic stability have not been fairly shared.

From the perspective of the Resource-Based View (RBV), governance is seen as a vital national resource that mediates the relationship between economic challenges and sustainable development. The uneven distribution of governance capabilities leads to a K-

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shaped pattern of sustainability, in which certain sectors and social groups demonstrate resilience and adaptation, while others face structural vulnerabilities. Therefore, the sustainability of development in Indonesia does not only depend on macroeconomic stability but also on the effectiveness of governance in distributing development benefits equally. This research adds to the theoretical framework by applying the Resource-Based View (RBV) at the country level rather than just the enterprise level, placing governance as an important resource that influences the dynamics of sustainability in developing countries. At an empirical level, this study describes the ways in which economic pressures and institutional forces work together to influence sustainable development patterns in Indonesia.

Recommendations

Based on the findings of the study, a number of strategic recommendations can be proposed as follows:

1) Improving fiscal governance competence. The government must improve fiscal discipline by maximizing state revenue, ensuring sustainable debt management, and improving the efficiency of public spending. These actions are critical to maintaining macroeconomic stability while expanding fiscal space to promote sustainable development.
2) Transformation of the Labor Market Structure. Reforms in labor policy should prioritize improving employment formalities by encouraging value-added industrial sectors, increasing productivity, and strengthening social protection systems. This initiative aims to reduce structural inequality and improve the quality of economic sustainability.
3) Improving and protecting the middle class. The middle class plays a crucial role in ensuring stable domestic consumption and encouraging sustainable development. As a result, initiatives aimed at increasing real incomes, improving access to education and healthcare, and providing protection against economic uncertainty are essential to strengthen the resilience of this segment.
4) Improving Economic Policy Coordination. Collaboration between fiscal, monetary, and real sector policies should be strengthened to provide a more efficient response to economic challenges. Effective coordination will improve governance capabilities in response to global and domestic economic changes.
5) Creation of a governance framework that focuses on sustainability. It is critical for governments and stakeholders to establish governance frameworks that prioritize sustainability, emphasizing transparency, accountability, and policy effectiveness. This
   strategy will enhance institutional capabilities to support inclusive and sustainable development.

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