



International Journal of Applied Economics, Banking and Management (IJAEBM)

Email: arsypersadaquality@gmail.com

<https://ejournalarsypersada.com/index.php/ajaebm>

ANALYSIS OF THE ECONOMIC GAP BETWEEN URBAN AND RURAL AREAS IN INDONESIA

Ema Nur Syahfitri¹, Annisa Khoiri², Putri Anggraini Hutasuhut³, Ikram
Muharril⁴, Ataina Zulfa Nasution⁵

State Islamic University of North Sumatra

emanursyahfitri1@gmail.com, annisaakhoiri@gmail.com,

putrihutasuhut0303@gmail.com, imuharril@gmail.com,

ataina1100000168@uinsu.ac.id

ABSTRACT: The economic gap between urban and rural areas shows the complex dynamics in Indonesia, characterized by differences in income, access to infrastructure, and economic opportunities between cities and villages. Urbanization plays a role as a trigger for urban bias, which exacerbates the welfare gap by concentrating resources in urban areas even though urban economic growth does not automatically reduce overall inequality. This study uses a qualitative method with a literature study approach as the main analysis basis to analyze how consumption patterns, infrastructure access, economic growth, and public policies interact in the context of regional disparities. The results show that although cities offer wider infrastructure and employment opportunities, the benefits of economic growth are still uneven and often insufficient to reduce inequality overall; In villages, increased economic growth has the potential to reduce inequality if it is driven by increased productivity, economic diversification, and increased access to infrastructure and public services.

Keywords: Economic Disparity, Urbanization, Development

Submitted: September ; Revised: Oktober ; Accepted: November

INTRODUCTION

The economic gap between urban and rural areas is a complex and persistent problem in many countries, including Indonesia. The differences in income and living standards between the people in these two regions not only reflect economic inequality, but also result in different access to economic facilities and opportunities. Rural communities often face limitations in accessing resources and economic opportunities compared to urban communities which generally have easier access to infrastructure and public services. (Watif S Sos et al., n.d.)

The urbanization phenomenon that is currently occurring shows structural changes in the economy, especially the transition from the agrarian to non-agrarian sectors which are more dominant in urban areas. This process often causes urban bias, where the potential of human resources, nature, and capital from rural areas is sucked into urban areas, widening the gap and worsening the economic situation in rural areas. This explains why development aimed at rural areas is often less effective and does not have a significant impact on improving people's welfare.

The impact of the economic gap can be seen from the differences in consumption and spending patterns between urban and rural communities. Urban societies tend to have higher consumption patterns, especially in non-essential categories such as transportation, education, and modern consumer goods. In contrast, rural communities often allocate their primary expenditure to basic necessities such as food. This inequality reflects not only income differences, but also differences in access to economic opportunities and quality of life. (Aisa Devi Nan Holy, 2024)

In Indonesia, factors such as economic growth, foreign investment, and human development indices have different influences on the level of economic inequality in urban and rural areas. Studies show that economic growth in urban areas has not been able to overcome the sharp income inequality due to social class differences, while in rural areas economic growth has a significant positive influence on reducing inequality, although the spread is still uneven. Therefore, different development strategies and policies need to be designed to effectively address these gaps.

Economic inequality between urban and rural areas is also closely related to access and equitable distribution of infrastructure and employment opportunities. Rural areas that have poor access to basic infrastructure such as transportation and social facilities tend to have difficulty improving the welfare of their communities. Meanwhile, urban areas with high economic heterogeneity often experience internal inequality that must also receive attention in poverty alleviation and sustainable development policies. Therefore, this study aims to analyze the dynamics of economic disparities between urban and rural areas and find solutions that can reduce these disparities in order to achieve equal distribution of welfare. (Serendipity et al., 2019).

LITERATURE REVIEW

A. Urban and Rural Economic Gap Theory

Economic inequality, also known as economic inequality, is an imbalanced condition that occurs in society that is based on economic factors. Regional economic inequality can hinder national economic growth and cause social injustice and financial problems. Therefore, the state needs an effective national development policy. overcoming regional economic inequality. The term is used to describe significant differences or imbalances that occur between certain groups or individuals in terms of access, income, wealth, opportunity, or economic outcomes.

The economic gap between urban and rural areas is a phenomenon that occurs due to disparities in the distribution of resources, access to economic opportunities, and the quality of life of people in the two regions. This condition is exacerbated by differences in economic structure, where urban areas tend to prioritize the industrial and service sectors, while rural areas are still dominated by the agricultural sector. This difference creates inequality in income and the quality of basic services that people get, thereby strengthening the social and economic gap between the two regions.

The difference in consumption patterns between urban and rural communities also reflects real economic inequality. Urban communities spend more of their income on non-essential goods and services such as education, transportation, and modern consumer goods, while rural communities are more dominant in allocating spending on basic needs, especially food. This condition not only reflects income disparities, but also more limited access to infrastructure and economic opportunities in rural areas. (Aisa Devi Nan Holy, 2024)

B. Factors influencing the economic gap between urban and rural areas

The economic gap between urban and rural areas is not only caused by income differences, but also by various structural factors that affect the socio-economic conditions of the community. One of the main factors is the imbalance of development between regions, where urban areas often get priority in infrastructure development and public services compared to rural areas. This condition causes rural communities to experience limitations in accessing education, health services, and other basic facilities, which ultimately impacts their low productivity and income.

High population growth in rural areas puts pressure on limited employment. Urbanization is a common phenomenon, where villagers try to move to cities in search of better job opportunities, but often face stiff competition and limited skills. This exacerbates conditions of poverty and inequality, as not all village migrants are able to get decent jobs in urban areas.

The productivity of the agricultural sector is also a key factor that affects the rural-urban economic gap. Since most rural people depend on the agricultural sector, low productivity in this sector causes their income to be smaller than that of urban residents who generally work in the more productive industrial and service sectors. Therefore, increasing agricultural productivity and diversifying the rural economy are important in reducing the gap.

Education factors and the fiscal capacity of local governments have also been identified as significant in influencing the gap. Quality education can improve the ability of human resources so as to open up better job opportunities and increase productivity. On the other hand, strong fiscal capacity allows local governments to intervene more evenly and effectively, especially in rural areas that are still lagging behind.

These factors show that economic inequality is not only an income problem, but a multidimensional problem involving aspects of infrastructure development, human resources, and pro-rural public policies. Therefore, gap alleviation strategies must be designed with a comprehensive and contextual approach according to the characteristics of each region.

C. Differences in Consumption Patterns and Quality of Life

1. Differences in Consumption Patterns

Consumption patterns are the way individuals or groups consume various types of foodstuffs in daily life that reflect the characteristics and habits of the community. Research conducted by Neda et al. showed that there was a significant difference in consumption patterns between groups of students living in dormitories and non-dormitories. Non-boarding students have wider access to a variety of meals than boarding students who are limited to meals provided by the hostel organisers.

These differences in access contribute to variations in nutrient intake received, which then impacts the nutritional status of each group. The study used a cross-sectional method with consumption pattern measurement using a food frequency questionnaire and food recall, proving that different consumption patterns can affect an individual's nutritional and health condition. (Zafira Ananda Neda et al., 2023)

2. The Concept of Quality of Life

Quality of life is a subjective measure of individual satisfaction in various aspects of life such as physical, psychological, social, and environmental. According to the WHOQOL-BREF formulated by the WHOQOL Group, quality of life includes four main aspects: physical health, psychological well-being, social relationships, and relationships with the surrounding environment. Factors that affect quality of life include various physical, psychological, socioeconomic, spiritual, and family domains, which together contribute to an individual's feelings of happiness and well-being. Physical health, for example, is very important because it determines an individual's ability to perform daily activities and handle stress and life challenges. (Afiyanti & Maternity Faculty Science Keperawatan, n.d.)

3. The Relationship Between Consumption Patterns and Quality of Life

Various studies show that a healthy and balanced consumption pattern has a positive impact on a person's quality of life. A nutrient-rich and balanced diet not only supports good nutritional status but also contributes to mental health and psychological well-being. In contrast, poor consumption patterns, such as unhealthy or excessive consumption of food due to psychological factors such as depression, can lower the score of the quality of life dimension that includes physical and psychological

health. Therefore, differences in consumption patterns between community groups or individuals have the potential to create disparities in perceived quality of life.

D. Government Policies and Programs

The Government of Indonesia has established various policy programs with a focus on accelerating sustainable village development and improving the welfare of rural communities. One of the flagship programs is the Village Fund, which is a strategic instrument in funding infrastructure development, economic empowerment, and MSME development at the village level (Ministry of Villages PDTT, 2025). In the 2025 fiscal year, the allocation of Village Funds will reach IDR 71 trillion, indicating the government's strong commitment to supporting village development and reducing inequality nationally.

The use of the Village Fund in 2025 is focused on four main priorities aimed at ensuring that the funds have a maximum impact on the welfare of the village community. First, the economic empowerment of village communities is a top priority by developing activities that encourage village independence, such as the development of micro, small and medium enterprises (MSMEs), diversification of sources of income, and increasing the capacity of village human resources through training and access to technology (Kemendes PDTT, 2025). Second, strengthening village infrastructure remains an important focus, with the construction of village roads, irrigation, clean water distribution, and educational facilities being the main components to improve connectivity and basic services that can support economic activities and the quality of life of residents. (By and Al- Qausar , n.d.)

Although the Village Fund provides great opportunities, the effectiveness of this program on the ground still faces several obstacles. Uneven distribution of funds and sub-optimal governance at the village level are the main challenges that must be overcome so that this program not only runs just to meet administrative procedures, but is actually able to improve the welfare of the community. The Ministry of Villages appeals for the principles of transparency and accountability to be upheld in fund management to avoid corrupt practices and irregularities that can hinder the benefits of the Village Fund (Ministry of Finance, 2025). (By and Al- Qausar , n.d.)

In addition to focusing on economic development and empowerment, the government also prioritizes food security programs with an allocation of at least 20% of the Village Fund to support local food production, agricultural product processing, and food distribution. This is in line with the goal of reducing village dependence on foreign products and increasing village independence in food aspects (Kemendes PDTT, 2025). Village Direct Cash Assistance (BLT) is also allocated a maximum of 15% of the total village funds to directly alleviate extreme poverty and provide social protection to the people who need it most.

With the existence of integrated government policies and programs such as the Village Fund, infrastructure development, economic empowerment, and social protection, it is hoped that the economic gap between urban and rural areas can be further narrowed. However, the success of this implementation is highly dependent on cross-sectoral coordination, active participation of village

communities, and the commitment of local governments to optimize resource management in a professional and accountable manner to realize equitable and inclusive welfare distribution.

E. Urbanization and Urban Bias

Indonesia's rapid urbanization has brought significant structural changes in the distribution of human resources, capital, and economic opportunities. The process of population migration from rural to urban opens up new economic opportunities in cities, such as increased productivity, market expansion, and greater investment. However, poorly managed urbanization tends to cause the phenomenon of urban bias, where the potential and resources that should be able to be developed in rural areas are concentrated in urban areas.

The phenomenon of urban bias causes inequality in the distribution of investment and infrastructure development that leads more to cities. As a result, villages tend to experience economic stagnation, limited public facilities, and a decline in employment opportunities that encourage continuous migration to the city. Urbanization also triggers infrastructure pressures in cities, such as congestion, housing shortages, and overpopulation, which increases urban poverty in the absence of effective mitigation policies. Therefore, development that only focuses on urban centers needs to be equipped with policies that strengthen the rural economy so that there is no unequal concentration of development.

To overcome these problems, it is necessary to implement an integrated and inclusive development approach that targets strengthening the village economy, developing basic infrastructure, and improving the quality of human resources in rural areas. Examples are village MSME development programs, skills training, and access to digital technology to open up new economic opportunities in rural areas (Asian Development Bank, 2025). This rural empowerment is expected to contain the rate of migration and produce more equitable economic growth.

Spatial planning policies and the development of satellite cities can be an important strategy to reduce urban burdens and strengthen the economic function of rural areas around cities (Bappenas, 2025). Programs like this help connect the potential of the village with the urban market without forcing villagers to migrate to the city, while maintaining environmental and social sustainability in both regions.

METHODOLOGY

This study uses a qualitative method with a literature study approach as the main basis of analysis. The literature study method was chosen to explore in depth the phenomenon of economic disparity between urban and rural areas in Indonesia, which is complex and multidimensional. Through this method, researchers collect, read, and process various relevant sources of information from scientific journals, research reports, books, and policy documents that discuss economic, social, and development policy aspects related to research themes.

The analysis is carried out descriptively by presenting a synthesis of the results of studies that have been tested for validity and connecting various

relevant concepts and findings. This technique helps in formulating the theoretical framework of the research as well as identifying key variables such as consumption patterns, infrastructure access, economic growth, and government policies that play a role in regional economic disparities. This literature study also serves to evaluate government programs such as the Village Fund and the impact of urbanization as an important part of the study of sustainable development.

RESEARCH RESULT

The results and discussion of the literature study will conduct a study on the Economic Gap Analysis Between Urban and Rural Areas. Through the analysis of 6 scientific articles that have been published in journals described as follows:

Table 1. Results of the Literature Study Analysis of the Economic Gap Between Urban and Rural

No	Heading	Writer	Year	Purpose	Method	Conclusion
1	Economic Gap Between Rural and Urban	Watif, Herawati, Ikbali, Fhath	2024	Understand the comparison of economic disparities based on income and facilities in cities and villages	Literature studies, secondary data analysis	The gap is still large with infrastructure and economic access being more dominant in urban areas, the need for pro-rural policies.
	Comparison of Consumption Levels of Urban and Rural Communities in Indonesia	Aisa Devi Nan Suci, Sarpini	2024	Analyze the consumption patterns of urban and rural communities and their impact on economic inequality	Case studies, statistical analysis of consumption	Urban communities of higher non-essential consumption, villages dominate staple consumption, reflecting income gaps.
5	Economic Inequality in Urban and Rural	Squirt	2018	Analyzing the determinants of	Secondary data analysis,	Infrastructure, education, and quality of public

	Zones of DIY Province			economic inequality in urban and rural zones in Yogyakarta	descriptive statistics	services play an important role in the equitable distribution of the region's economy.
6	Village Fund Policy for Fiscal Year 2025	Ministry of Villages PDDT	2025	Evaluate policies and priorities for the use of Village Funds in reducing disparities	Policy review, study of official documents	The Village Fund is an important and effective instrument if governance is transparent, the main focus of the economy, infrastructure, social, and digitalization.

Source: Researcher, 2025

DISCUSSION

Based on the results of the discussion above, it is explained from six studies that invest in the analysis of the economic gap between urban and rural. These studies show that the economic gap between urban and rural areas in Indonesia is still a fundamental issue and has a wide impact on various aspects of development. Based on the latest literature, this gap is evident from the differences in infrastructure access, average income, and economic opportunity between the two regions. Urban areas have advantages in terms of modern infrastructure, public facilities, and more job and business opportunities, while rural areas are still constrained by access, limited resources, and dependence on the vulnerable agricultural sector.

Urbanization and urban bias exacerbate the concentration of investment, capital, and human resources into urban areas, which ultimately weakens the local potential of rural areas. Urbanization in Indonesia often reinforces inequality, resulting in population decentralization without being balanced with the equitable distribution of economic and social facilities in villages. For this reason, there is a need for strategic incentives and comprehensive spatial planning to strengthen rural economic activities and contain the rate of rural-to-urban migration.

Meanwhile, people's consumption patterns also show real inequality. The study concluded that urban communities tend to have higher non-essential

consumption and are oriented towards modern lifestyles, while rural communities are more focused on basic needs. This shows the difference in the level of welfare and purchasing power, which further has an impact on the quality of life and the sustainability of regional development. (Aisa Devi Nan Holy, 2024)

Another determinant factor that affects inequality is economic growth, where cities experience faster growth but have not been able to effectively distribute income, while economic growth in rural areas has a more equitable impact but is still limited in scale. The findings in his empirical study confirm the importance of the role of economic benefit distribution so that inequality can be effectively suppressed, not only measured by the rate of regional economic growth. (Aisa Devi Nan Holy, 2024)

In addition, the aspects of equitable distribution of education, health, and public infrastructure services are very influential in reducing the gap between regions. In the context of DIY, Premana recommends increasing investment in infrastructure, education, and social services as an effort to raise living standards and realize a more inclusive economic distribution in the region.

Government policies such as the Village Fund have become important instruments in supporting more sustainable rural development. The impact can be felt positively if accompanied by strengthening the governance, transparency, and accountability system at the village level so that the distribution of benefits is truly on target. This effort also needs to be supported by the digitization of village public services to answer governance challenges and increase community participation.

These studies confirm that reducing the economic gap between urban and rural areas requires the collaboration of various parties through integrated policies, synergy between sectors, and a focus on strengthening the local economy and equitable development.

CONCLUSION AND RECOMMENDATIONS

Based on the results of the literature review and analysis that has been conducted, it can be concluded that the economic gap between urban and rural areas in Indonesia is still a sustainable structural challenge. Significant differences in income, access to infrastructure, education, and health services cause rural communities to experience limitations in taking advantage of the same economic and social opportunities as in urban areas. The process of urbanization and urban bias often exacerbates the concentration of resources and opportunities in big cities, thereby encouraging migration and widening the welfare gap between the two regions.

Government efforts such as the Village Fund policy have shown quite effective results in improving basic infrastructure and economic empowerment in villages. However, the effectiveness of this policy program is greatly influenced by governance, transparency, and implementation capacity at the village level. In addition, digital transformation and the development of MSMEs in rural areas are considered an important strategy to reduce the gap, as long as

it is supported by increasing human resource capacity and equitable access to technology.

Therefore, reducing this gap requires a comprehensive approach and cross-sectoral collaboration, both by the central government, the regions, and the community. Expanding access to education, health, infrastructure investment, and optimizing local economic empowerment must continue to be improved so that the goal of equitable distribution of welfare between cities and villages can be achieved in a sustainable manner.

THANK-YOU NOTE

With deep gratitude, the author would like to thank all those who have provided support, assistance, and guidance during this research process. Thank you to the supervising lecturer who patiently guided and provided direction so that this research could be completed successfully. Gratitude is also extended to family and colleagues who have always provided moral support and motivation. May the results of this research provide benefits and positive contributions to the development of science and society at large.

BIBLIOGRAPHY

- Asian Development Bank. (2025). *Rural economic empowerment through strengthening MSMEs and digital technology*. ADB Publications.
- Bappenas. (2025). *Satellite city development policy as a strategy for regional equity*. Ministry of National Development Planning of the Republic of Indonesia.
- Grammar. (2025). *Factors that cause urbanization and its impact on socioeconomic inequality*. Gramedia Pustaka Utama.
- Handoko, T. (2016). *Urbanization and urban bias in rural development*. *Journal of Regional Development*, 8(2), 45–56.
- Zafira Ananda Neda, Indrawati, V., Ismawati, R., & Pratama, S. A. (2023). Perbedaan Pola Konsumsi Asupan Zat Gizi dan Status Gizi Siswa SMAIT Al Uswah Surabaya Yang Tinggal di Asrama dan Non Asrama. *Sehat Rakyat: Jurnal Kesehatan Masyarakat*, 2(3), 369–379. <https://doi.org/10.54259/sehatrakyat.v2i3.1776>