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Understanding The Complex Relationship Between Good Governance and Economic Growth in Indonesia During The Reform Era

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Abstract. Economic growth in Indonesia had fluctuated during the reform era which began in 1998 due to the political condition of Indonesia. For many developing countries like Indonesia in this case, economic growth and governance becomes an interesting issue to be discussed. In one hand, scholars argue that practice of good governance principles as main requisites to accelerate national economic growth. Otherwise, scholars finds that few developing countries can promote national economic growth rapidly without implementing good governance practice at first. Case in Indonesia practice of good governance principles during the reformera shows increasing results. This study is conducted through literature review by using historical institutionalism analysis aimed to describe relationship economic growth and good governance throughout the Indonesian reform era. This paper finds that economic growth in Indonesia during the reform era was the result of a variety of independent factors, not a single factor.

Keywords: Governance, Economic Growth, Reform, Linearity, Complexity


Kata kunci: Tata Kelola, Pertumbuhan Ekonomi, Reformasi, Linearitas, Kompleksitas

INTRODUCTION

Economic growth and good governance are appealing to be discussed because both terms are related to a nation's development. In classical developmentalism perspective, economic growth goes through five linear stages namely 1) traditional society; 2) preconditions for self-sustaining growth; 3) Take-off; 4) drive to maturity; and 5) the stage of high mass consumption (Rostow, 1960). Currently, the economic concept has evolved over time. Economic growth is described not as such linear stages, rather, many interrelated factors from inside and outside a country influence its economic growth. This is called a complex process of economic growth (Saviotti, 2001; Atkinson, 2016).

Scholars of the economics field pay attention to the complexity of economic growth in many countries, but each country has different patterns in developing economic programs. Though complexity of economic growth is influenced by science and technology, business entities, occupations, organizations, and capabilities (Atkinson, 2016), it is still questionable whether those factors come in sequence of stages or they are intertwined in messy ways.

Elements of complex economic growth are similar to elements of good governance, by which these elements are preconditions for a country to be considered as developed countries. Previous studies (e.g. Khan, 2008; Khan, 2015; Westræus, 2016) provide a new understanding about economic growth and governance. Their arguments are that a sequence of good governance principles proposed by the World Bank and International Monetary Fund (IMF) such as transparency, accountability, openness, and participation is not the main preconditions for developing countries to enhance their economic growth.

As developing countries, Indonesia has a long time period in building a stable economy since the country was led by its first President Soekarno in 1945 until it is currently led by President Joko Widodo (the 7th President). From 1945 onwards, Indonesia has been experiencing three major political regimes, namely the leader-centered democracy (1945-1965), the authoritarian regime (1965-1998), and the reform regime (1998-Now).

According to Zakaria’s study (2007), most of Asian countries such as Taiwan, South Korea, Thailand, and Malaysia were governed by a military junta or single party system in 1950-1960s. Currently, those countries become democratic countries, arguably even more democratic than some western countries. OECD (2018) reveals that rapid development of cities in Southeast Asian countries is caused by rapid economic growth. In the case of Indonesia, after the Asian
economic crisis, national economic growth of gross domestic products (GDP) is stable on 5% per annum (OECD, 2018), or 5.3% yearly economic growth (Bappenas & GGGI, 2017), which contributes to poverty reduction from 18% in 2006 to 11% in 2014 (Bappenas & GGGI, 2017).

This study focuses on economic growth of Indonesia in the reform era because this era’s peculiarity of highly dynamic environment for economic growth as indicated by high frequency of substitution of political leaders including president, house of representative, and local leaders. Many basic changes occurred in this era starting with the political system, economic intervention, education curriculum, and many more. Such changes become key momentum for overseas organizations to embed global thinkings like good governance principles into Indonesia.

National economic development of Indonesia is not separated from governance practice in Indonesia since 1998 to 2018. Krina (2003) reveals that good governance practice has contributed to establish good networks between national politicians and international donors. As Gismar dan Hidayat (2010) cited, good governance principles include participation, fairness, accountability, transparency, efficiency, and effectiveness. Previous studies of the World Bank (2006) and OECD (2016) reveal that practice of good governance such as government effectiveness, political stability, regulatory quality, law enforcement, corruption control, participation, and accountability can boost national economic growth in a particular country. Indeed, Effendi (2005) says that governance is one of key preconditions for developing countries to get foreign funding. OECD (2018) mentions that since Asian financial crisis of 1998, Indonesia has started to implement public sector reform and regulatory reform as part of good governance practice. Yet, studies of ADB, ILO, IDB in 2010 year cited by Warjiyo (2016) show that poor governance and institutions remain a big issue to be solved. This era because national economic growth of Indonesia is an interesting case during the reform era. The authors propose two research questions, firstly, how is the practice of good governance related to economic growth in Indonesia during the reform era? Secondly, does economic growth in Indonesia follow a linearity or complexity economic model?

The rest of the paper is a research method explaining how a research analysis tool is used in this study. It is followed by a result and discussion section containing concepts of good governance, relationship of economic growth and good governance, and linearity or complexity concepts. The final part is the conclusion containing the succinct finding of the whole study.

**RESEARCH METHOD**

This study is a literature review by using the qualitative research method. Guba (1990) and Neuman (1994) as cited by Maksum et al. (2020) assert that such research is aimed to build a concept or thinking framework derived from perceptions of people in an organization within a common context. Qualitative method is appropriate to this study because debatable concepts of linearity or complexity on economic growth model and good governance practices are correlated to people’s perception to build an appropriate thinking framework in understanding patterns of economic growth and good governance practices in Indonesia.

This study was conducted during 1 May – 30 September 2018. This research was conducted into three phases. Firstly, it compiled all data derived from relevant literatures such as scientific articles, journals, books, working papers, governmental and official documents, and other supporting literature. We did not constrain those literature based on the geographical context in that the topic is global context. Also, we did not limit the use of time frame in the search for basic theory, except in the special data of Indonesia context, we use mostly literatures in the period of 2000 - 2018 or after the reform era.

Secondly, all existing literatures were categorized into nine keywords to accelerate early searching and to simplify analysis. All nine are “economic growth”, “governance”, “good governance”, “linearity theory”, “complexity theory”, “Indonesia reform”, “developing countries”, “Indonesia’s economic outlook”, and “economic reform”. We use reputable and non-reputable (international and national) publications to reinforce our findings inasmuch as limited reputable journals provide Indonesia’s data of economic growth and good governance, including governmental documents. We used the engine search like Science Direct to find Elsevier publications and Google to find publications of OECD, Asian Development Bank, World Bank, Bank of Indonesia, national journals, online-governmental documents, thesis, and working papers. Again, we use our offline repository of international books in our files.

Thirdly, we compiled all literatures and then
summarized each literature to the nine categories above. It aims to assure that all literature is according to the research questions. Based on those categorization, there are 60 papers/articles consisting of 13 national and global books, 15 national and global journals, 7 working papers, 6 international organization documents, 3 national and global thesis, 7 Indonesia’s government documents, 4 articles in a proceedings, and 5 theory and supporting articles.

According to Fioretos et al. (2016), historical institutionalism analysis is developed to answer two questions, firstly how to determine which theories are robust and when the theories can foresee similar outcomes. And secondly, it aims to cleanse their use of qualitative methods regarding how to identify which various potential historical occurrences provide explanation to an outcome.

This study uses the historical institutionalism analysis between good governance and economic growth of Indonesia. To answer the first matter above, this study refers to theories of Khan (2015); Westræus (2016); Mira & Hammadache (2017); Mira (2018) as guidance and framework to analyze research results. In regard to answer the second matter, potential historical occurrences are throughout the reform era ranging from President Habibie era in 1998 up to President Joko Widodo (Jokowi) (2018). Outcomes to be explained are both good governance practice and economic growth.

RESULT & DISCUSSION

Good Governance

Good governance concept has been introduced in advanced countries in the 1980s. Chhotray and Stoker (2009) assumes that governance is about decision making process which is collectively conducted due to plural and complex relationship among actors or organization. There is no formal system that controls or directs the relationship. Bevir (2010) adds that governance is more pluralistic regulation than government-driven regulation, it is more focused on civil society participation and interaction and less focused on governmental institutions. Chhibber (2016) states that “maximum governance, minimum government” is a key slogan.

World Bank (2018) also provides an explanation about governance, it comprises values of traditions and institutions by which an authority is applied in a country. It comprises ways of how government agencies are chosen, monitored, and substituted; the capability of the government in effectively formulating and implementing robust policies. Further, governance is concerned with institutions of citizens and state by which govern economic and social interactions among them.

Use of governance term escalates after developing countries in Asia and Africa transform from authoritarian to be democracy and tend to adopt western politics and economy systems (Zakaria, 2007). In Indonesia, the term of good governance was firstly introduced in 1990s (Effendi, 2005). Good governance is the concept to view that authority is not only held by government, but also is the balancing network and multi-dimension among government organizations and non-government organizations (Wibawa, 2005). It is a competency of administration and institution aimed to manage existing resources allocation efficiently, to deliver public goods and services formally and informally (Kraiportsak, 2018).

Good governance talks about the positive element of the political system, while bad governance is a problem in a country which should be addressed by the government immediately (Grindle, 2010). The common good governance principles of the World Bank version are such as government effectiveness, political stability, quality of laws, reinforcement of law, corruption controlling, participation, and accountability (World Bank, 2006). Asian Development Bank ADB summarizes four principles namely participation, accountability, transparency, and predictable policies (ADB, 2010).

Khan (2015) sees that the efforts which are conducted by developing countries to imitate good governance practices of developed countries often failed. Khan (2015) agrees with Grindle (2007;2010) that, developing countries are merely able to conduct good practices in accordance with limitedly existing resources and capability in those countries. Grindle (2006,p.1) argues explicitly that “...good enough governance means that interventions thought to contribute to the ends of economic and political development need to be questioned, prioritized, and made relevant to the conditions of individual countries...”.

According to Grindle (2007; 2010), governance has very large agendas and goals, that is why in developing countries, practice of “good enough governance” is more appropriate than good governance itself. Good enough governance is a minimal precondition which allows to support politic and economic development in developing countries. Important to note that there are no magic bullets to generate fast and efficient economic development and to alleviate poverty.

Relationship of Economic Growth and Good Governance

A common way to measure gross domestic product (GDP) in a country is based on consumption level and production level, beside governmental expenditure (Nazara, 2016). Yearly real GDP per capita is one of the main indicators to measure economic growth of a country (Westreus, 2016; Lahouij, 2017). The economic growth determinant are such investment, personal remittances, governmental expenditure, human capital as major determinants. While, foreign direct investment, trade openness, and population growth are as minor economic determinants (Lahouij, 2017).

Basically, good governance is defined as a means and end goal, but the World Bank defines good governance as means to achieve a particular goal without
having an eye for an end goal. Governance is essential for promoting national economic growth. There is a strong relationship between practice of good governance and economic growth. Governance issue is related to the slogan of “maximum governance and minimum government”. In this term, the government would go out to privatize state-owned enterprises (Chhibber, 2016). FORM (AGAIN)

Numerous literatures show that the relationship between good governance and economic growth is ambiguous and debatable. In one hand, good governance can boost economic practice positively, but in another hand, both are negatively related (Lahouij, 2017; Mira & Hammadache, 2017; Mira, 2018; Krairpornsak, 2018). As Zubair & Khan (2014) states though governance is a prerequisite as an economic booster in a country, but the relationship of both is not universal.

Khan (2015) criticizes the World Bank approach toward good governance practice and national economic growth. The first one, economic growth and good governance practice interacts each other among actors. When governance contributes to dividends on various development programs like economy, infrastructure, education, administration, and others, those development programs are probably pushed by institutional change which generates dividends on governance. The second one, good governance practice has contributed to increasing income per capita in a country, contrarily, several countries with low income per capita are able to increase economic growth, even though they do not practice good governance principles as a whole.

**Figure 1.** Shifting concept of governance as means and end goal

Good governance practice is appropriate in developed countries because those countries are characterised with one main indicator namely high income, while in developing countries good governance is measured in overlapping indicators. For instance, India, Bangladesh, and in newly industrializing countries like China, good governance practices in those countries are negatively and lowly assessed by the World Bank, but their economic growth is increasing (Khan, 2015).

In three African countries namely, South Africa, Botswana, and Namibia, by which three countries had relatively high scores on good governance practice and coincide with a rapid-stable economic growth during the period of 1996-2014, but relationship of good governance and economic growth was vague and not as causality. In those periods, economic growth of three countries was fluctuating, and tended to be decreasing though the grade of good governance was relatively stable. Compared to Gabon, a country which had a low ranking of good governance assessment, but, Gabon had the highest GDP per capita in Sub Saharan African (SSA) countries (Westraes, 2016).

Khan (2015) proposes two policy implications of governance practice, namely as means and end as result. In his argument, both good governance proposed by the World Bank (2006) and good enough governance proposed by Grindle (2007;2010) are only means or instruments to achieve a goal of a country, namely citizens’ prosperity. Khan views that governance is a whole pattern of good governance and good enough governance, not only as means or instruments, but also as an end goal. Relationship of good governance and economic growth is various at each country, not universal (Zubair & Khan, 2014), depending on political and institutional structure of a country (Mira, 2018).

**Linearity and Complexity Concepts**

Conceptually, economic growth can be assumed as linearity or complexity in economic development. The linear economic growth is proposed by Rostow (1960), who claims that a development process is a sequence of economic growth stages as an existing precondition in the development process. Each country can build national economy stages through outlay from debt or investment, especially foreign investment. Economic development must follow a sequence of stages are such 1) traditional society (agriculture and barter exchange), 2) pre-take-off stage (improvement of education, application of science and technology, emergence of entrepreneurs, banking system), 3) take-off stage (production system replacing traditional methods), 4) the drive to maturity (development of multi economy sectors), 5) mass consumption (rising consumption per head, there are rewards).

In a linear economic concept, there is a Harrod-Domar model as cited by Bharududdin (2017) and developed in 1946-1947 (Tarasov & Tarasova, 2019). According to this model, investments are important to leverage economic growth. In nutshell, economic development is merely determined by investment and saving factors, and consumption as well.

Economic growth theory has evolved over time. Based on evolutionary view, economy is perceived as an “organism” that perpetually changes and grows with developing new patterns of science and technologies, industries or business entities, occupations, organizations, and capabilities. At the same time, this change replaces the oldest ones. This change is totally dependent on domestic policies, existence of advanced science and technology, entrepreneurship, and global environment (Atkinson, 2016). According to Arthur (2014:1), in principle, economic growth is complex, often not fulfilling in equilibrium phase. To make economic growth rapidly in a country, not based on
mathematics model and not based on single factor, however it is depended on various and simultaneous factors like technological innovation, institution arrangements, and other social factors.

Complexity concept in economic development is totally influenced by inside and outside environment factors, and it mutually interacts with each other in a special pathway (irreversible and path dependent). Complexity is the moving economy dynamics from non-linear process to feed-back process which yields complex inter-relationship pattern (Saviotti, 2001). It is not only influenced by one factor, but many factors like free markets, competition, technology, global control evolving into a totally different system. It will achieve an equilibrium economic system due to changing condition over time (Helbing and Kirman, no year). Different to Rostow’s model, it is clear that complex economic growth is not merely about funding, investment, and consumption rather, it comprises many evolving factors, and may be unpredictable conditions occurring in a country.

**Thinking Framework**

Good governance practice does not guarantee to bring better economic development in a country (Khan, 2015; Mira & Hammadache, 2017). Economic growth and good governance practice are two-way relationships, one factor and another factor can mutually influence. The supporting factors such institutions, public infrastructures, basic services, and public spaces are considered in this relationship. All elements are constrained by socio-economic-cultural values, and in the wider context by political system in a country.

**Figure 2.** Inter-relation of governance and economic growth

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**The History of Economic Growth of Indonesia**

When Indonesia was at the peak of the economic crisis in 1997, President Soeharto asked the International Monetary Fund (IMF) to assist national economy recovery. Unfortunately, IMF’s funding was not successful in recovering the national economy of Indonesia (Habibie, 2006). In May 1998, President Soeharto was replaced by then vice president Habibie.

In the initial months of the reform era, Indonesia was led by the President Habibie in a very short period of 17 months (512 days). During his leadership, democracy growth was significantly increasing includes high transparency, more freedom, and fair public election after 1955. In the economic sector, the Government of Indonesia revitalized the national economy in three ways namely effectivity of national budget, reduction of ceremonial activities including overseas trip, and management of transparent budget (Habibie, 2006).

Habibie was successful in increasing national economic growth. Value of Indonesian Rupiah (IDR) to USD was increasing from IDR 15.000/1 USD to be IDR 7000/1 USD in October 1998, new investors came to invest in Indonesia, re-formulate Memorandum of Understanding (MoU) with IMF to assist national finance in 24 June 2018, and then increasing of Gross Domestic Products (GDP) accounted by 38% (USD 636) in 1999. This positive moment has enhanced trust of citizens of Indonesia and foreigners to save money in national banks of Indonesia (Habibie, 2006).

On 20 October 1999, Habibie was replaced by Abdurahman Wahid (Gusdur) as President of Indonesia. In his era, national economic growth accounted by 4.8%. Improvement of national economy is also shown through increase of small-medium enterprises (SMEs) activities, export-import activities, national investment, and daily consumption growth. In 2000, average national economic growth amounted by 3.1-3.9%. In 23 July 2001, then Vice President Megawati was appointed as President to replace Abdurahman Wahid. In this era, the national economic growth was accounted by 3.7% in 2002, but the economic growth was dominantly buttressed by consumption behavior, not by investment and export (Hakim dan Giovani, 2012).

On 20 October 2004, Megawati was replaced by Susilo Bambang Yudhoyono (SBY) as President Indonesia until 2014. One of the main policies in the SBY era was to develop public infrastructures represented in Master Plan for Acceleration and Enlargement of Economic Growth of Indonesia (MP3EI). In the SBY era, the opportunity to increase the national economy was largely opened, supported by increase of coal and oil palm price. Notwithstanding, national economic growth was decreasing from 6.7% by 2010 to 5.0% by 2014 (Aswicahyono & Christian, 2017). The GDP rise by 5-6% per annum was dominant with population growth, rising living standards, market expansion, and natural resources as commodities (Bappenas & GGGI, 2017).

SBY was replaced by Joko Widodo (Jokowi) from 20 October 2014-2019 (in the first period of Jokowi’s leadership). In Jokowi’s era, optimism and a positive climate to foster national economic growth was appearing, but this optimism is not linear with the factual condition in the first year of the Jokowi era. Even in the middle of 2015 year, the national economy was decreasing up to 4.7% compared to 5.0% by 2014 (Aswicahyono & Christian, 2017). In the end of 2015 year, the exchange value of IDR to USD was decreasing from IDR 13.500/1 USD to IDR 14.000/1 USD, and inflation was also decreasing from 4.9% to 3.4% (Bappenas, 2016).

In 2014 GDP growth was by 5% per annum,
billions, and GDP per capita was amounted by 3.604,3 USD with total population was 258,7 million.

From yearly GDP calculation, national economic growth in Jokowi’s era was consistent at average by 5% per year during 2014-2018. During the 2016-2017 year, national economic growth of Indonesia was increasingly accounted for by 5.03% at the end of 2016 and 5.07% in 2017. It was the highest economic growth achievement along 4 years of the stipulated target of 5.1-5.5% in 2017. There was high growth in the quarterly year by 5.19% of 2017 (Bank Indonesia, 2018). There was higher growth in the quarterly year by 5.18% of 2018 than in the quarterly year of 2017 (Kementerian Keuangan, 2019). To achieve more economic growth, President Jokowi appealed to all citizens to work hard (out of the box thinking) and not to do routine activities (Kominfo, 2018).

The Government of Indonesia adopts two policies to increase and maintain national economic growth, to improve the society’s purchasing power and to create domestic and foreign investment climate, though governmental expenditure is also done in this case (Nazara, 2016). One of the biggest contributors of economic growth for four years is the inflow of foreign investment (OECD, 2018).

According to the table above, Indonesia ranks second position after China in terms of foreign investment in the Asia-Pacific region. Since three last decade, innovation and competitiveness are widely acknowledged as the main indicator to say whether a country is classified as advanced economies or not (see study of Kim & Nelson, 2000). Based on IMF and World Economic Outlook Database in April 2017 cited by the World Economic Forum (2017), Indonesia ranks 36th in global competitiveness index.

**Good Governance Practice in Indonesia**

Measurement of Good Governance Practice in many countries around the world including Indonesia referring to at least 5 (five) indicators, namely easiness to do business, public perception on corruption, control of corruption, government effectivity, global competitiveness (OECD, 2015).

Based on Table 3, from five achievement indicators, Indonesia is only prominent in position 34th in public perception of corruption during 2012-2015. While the others is control of corruption, the grade at -0.7. Also the government effectiveness of Indonesia is not good-valued, the grade is -0.3. Indonesia is not a friendly investment country, especially for foreign direct investment (FDI), ranks 114th among those countries. Though Indonesian Government has improved achievement on good governance practice since in the end 1990s (OECD, 2016; 2018), corruption is still a key problem in Indonesia (Figure 3).

**Corruption** is the first problem in doing business activity in Indonesia. Whereas other problems such as inefficient government bureaucracy (2nd rank) and access to financing (3rd rank) are also serious problems. Other problems that must be addressed to make business easier are inadequate supply of infrastructure, policy instability, government instability/coups, tax rates, poor work ethic in national labor force, tax regulations, inflation, inadequately educated workforce, crime and theft, restrictive labor regulations, foreign currency regulations, insufficient capacity to
innovate, and poor public health (World Economic Forum, 2017).

**Economic Growth and Good Governance Practice of Indonesia: Linearity or Complexity**

Real practice of good governance in Indonesia has been started in the reform era. It has led to economic growth for many periods of president leadership since Habibie (economic recovery from crises), Abdurahman Wahid (rate 4.8%), Megawati (rate 3.7%). Until this period (2004 year), practices of good governance in Indonesia were not dramatically good (OECD (2016). In the SBY era, the highest economic growth is 6.7%, and in the Jokowi era is stable at 5%, though Sahrasad (2014); Warjiyo (2016) and World Economic Forum (2017) reveal that issues of corruption, terrorism, public service, and ineffective government remain lag behind in this era.

In the era of Habibie, Megawati, and Abdurahman Wahid, politics and economic stability were the main priorities in order to avoid a repeated economic crisis in 1997. In the SBY era, national economic growth is main priority because the condition of the national economy has been stable. After the economy is stable, improvement of government performance through practice of good governance is conducted in this era. In the Jokowi era, national economic growth is essential to restore and to increase trust level from international agencies to Indonesia so that many investors will invest in Indonesia. Therein, in the Jokowi era, practice of good governance is more paid attention.

The national economic development of Indonesia is based on various elements like authority, decentralization, local resources, government budget and its spending, and other many programs (Ma’ruf & Wihasutti, 2008). In the Jokowi era, the Government of Indonesia pushed national economic growth and stabilized the macro economy by increasing three main public infrastructure development programs, namely information and communication (8.99%), transportation and warehousing (8.21%), and construction development (7.27%). Again, industry of garments, food and beverage, and other processing industries are also increased by Government of Indonesia (Bank Indonesia, 2018).

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<th>Table 3. Ranking of Good Governance Practices: Indonesia and Comparison with Other Countries in the Period of 2012-2015</th>
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<td><strong>Ease to do business</strong></td>
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<td>South Africa</td>
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<td>Russian Federation</td>
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<th>Table 4. The Foreign Investment Priority Ranking Score in Asia-Pacific Region</th>
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<th>Table 5. Focus of National Economy Policy at Reform Era</th>
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Economic growth in the reform era in Indonesia is not a linear stage which sustains investment, but a complex process. There are credit capital and consumption behaviour which promote national economic growth in Indonesia (Soedarmono et al., 2017). Global environment, political and institutional factors are also important to promote national economic growth in the reform era (Dutu, 2016). Aswicahyono & Christian (2017) show that leader behaviour is very critical in determining economy policy. For instance, in the SBY era, he seldom made
controversial decisions with majority preferences with the House of Representative (DPR) including in discussing or stipulating national economy policies. It is clear that good governance practice and economic growth is a complex relation in Indonesia (Figure 4).

Stability of national politics and economy is directly linked to good governance practice, while institutions, public infrastructures, and basic services are directly linked to economic growth. Both good governance practice and economic growth are aimed at social or citizens welfare. Those are not occurred freely or in a vacuum area, presence of socio-culture values is deservedly considered to play the dual role of government. In a broader context, national politics and the economic system are real boundaries that encircle what the government can do or not.

Economic growth is not linear, it is a complex process, needing dynamic policies to foster economic development in a nation (Bullard and Butler, 1993). Good governance is more likely an intervening variable in boosting economic growth (Westræus, 2016). For developing countries like Indonesia, to accelerate economic growth and to face global economic pressure, it is needed institution reform (Dutu, 2016), inclusive financial system, improving income, and alleviating poverty (Hajilee et al., 2017). What is occurring in Indonesia is not peculiar and freakish compared to Asian and developing countries. Zakaria (2007) reveals that even though South Korea, and Taiwan are advanced economies and democracy countries exceeding South American countries in the 2000s, classic issues like corruption, nepotism, voter fraud are still present.

For an instance in developing countries, the Government of India tries to privatize most state-owned enterprises to support national economic growth (Chhibber, 2016), while China remains to keep in most state-owned enterprises to support national economic growth (see study of Brown & Singh, 2018). Though, China recognizes that economic growth is bolstered by structural reform of the supply side such as capital investment, barriers reduction on the goods and service production, tax reduction, and even less government regulation (Li, 2016).

Good governance is not a panacea for all countries (Grindle, 2010), what Grindle (2006; 2007) says about good enough governance is worthwhile. It provides clear understanding that developing countries can implement values of governance based on unique characteristics in those countries. A key role of the Government of Indonesia is necessarily needed to guide economic policy and to practice several appropriate good governance values.

**CONCLUSION**

Practice of good governance in Indonesia during the reform era appeared in the SBY era in (2004-middle 2014), and thus is continued in the Jokowi era (end 2014 - 2018). In this case, good governance is the result of increasing economic growth in the first period of the SBY era (2004-2009). Otherwise, in the second period of the SBY era, good governance practices influenced economic growth of Indonesia during 2009-2014. In this period, Indonesia’s economic growth increased 6% in the 2012-2013 which is the highest economic growth during the reform era in Indonesia. While in the first period of the Jokowi era, the condition is the same as in the second SBY era by which good governance practices influenced economic growth of Indonesia. Yet, the economic growth was stable at 5% per year.

Economic growth of Indonesia is a complex process, not linear with particular staging. Though good governance was firstly introduced in the 1997-1998 or during Indonesia suffered severe economic crises, it did not influence the economy to recover quickly. Economic growth is put as priority rather than good governance in the era of Habibie, Wahid, and Megawati. After three presidential periods passed, practice of good governance firstly emerged as leverage to increase national economic growth of Indonesia (in the SBY era), and then continued in the Jokowi era. It is clear that economic growth is a complex process strongly influenced by politics and policy at each period.

The case of Indonesia shows that understanding good governance practice in developing countries is not easy. It needs special preconditions in which every country has respective capacity, local resources, and unique institution pattern. In a frame of good enough governance, the Government of Indonesia should not adopt elements of good governance developed by the World Bank wholly and directly. No fixed way, whether good enough governance or economic growth is much paid attention go ahead, but both can be done in a parallel way, depending on Indonesian conditions such as socio-economic-politics-culture environment. Authors recommends pattern of good enough governance for Indonesia at three efforts as follows:

First, creation of good enough governance must consider the bureaucracy system. For instance, policy
to attract foreign investment is one of major elements to increase economic growth as well as to catch-up technology development in developing countries, therefore internal bureaucracy reform in related ministries/agencies like Ministry of Industry, Ministry of Finance, National Investment Coordinating Board, Ministry of Research and Technology, local government(s) is needed.

Second, the Government of Indonesia must be able to harmonize functions embedded in public and non-public organizations in Indonesia. It aims to avoid systemic failure of relationship between economic growth and governance practice. For instance, policy to attract foreign investment is delivered is not merely economic affairs, but also public institution affairs. It comprises many actors not limited to ministries or public agencies, but also private organizations both in formulating and implementing investment policy.

Third, the Government of Indonesia must change the hindering culture to increase economic growth and good enough governance. It can be slow but consistent to previously planned stages, if it is radically done, it will make progress of economic growth and good enough governance worse or decreasing. For instance, involvement of industries and NGOs are pure to propose and to battle their interest as a balance effort towards governmental policies. Culture of integration among involved actors should be flourished by public and non public organizations in achieving shared goals of policies.

Overall, this study contributes to reinforcement of debatable theory and practice in the field of governance and economy. It reveals that economic growth in a country does not always result from practice of good governance. Yet, this study is not without drawback, to fill the lack of this study, the quantitative method with relationship analysis tool is necessarily developed, use of in depth interview as one of primary data collection methods is also conducted to reinforce initial findings of this study. Again, determining a specific focus on good governance principles, for example control of corruption or transparency is important to make findings deeper rather than previous study.

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