

## Pancasila as a Paradigm of Economic Development in Indonesia

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**Abstract** - This article aims to find out the concept of Pancasila regarding Economics in Indonesia by examining Pancasila as Development. Pancasila as a paradigm means that Pancasila is a value system that is used as a basic framework, a framework of ways, and at the same time a framework of direction/goals for a nation. . In economic development, the government must be based on Pancasila. With a people's economic footing, economic policy must be aimed as much as possible for the prosperity of the people.

In accordance with the Pancasila Paradigm in economic development, the economic system must be based on divine morality and humanity. It aims to prosper the people as a whole. Economic development must be able to avoid monopoly and free competition which will later provide great benefits to those who are strong in the economic field. Meanwhile, small entrepreneurs will be disadvantaged by the existence of a system of free competition in the economy.

**Keywords:** Development Paradigm, Economic Development, Pancasila

### I. INTRODUCTION

Economics according to language is derived from the Greek language, namely Oikos means family or household, while Nomos means rules or regulations. Meanwhile, according to the term, namely household management or household regulations. Understanding Economics is one of the fields of social science that discusses and studies human activities directly related to the distribution, consumption and production of goods and services.

Economic development is a process of increasing total income and per capita income by taking into account the existence of permanent occupation and accompanied by fundamental changes in the economic structure of a country and the distribution of income for the population of a country.

Economic development cannot be separated from economic growth; Economic development encourages economic growth to facilitate the process of economic development. What is meant by economic growth is the process of increasing the production capacity of an economy which is manifested in the form of an increase in income, experiencing economic growth if there is an increase in real GNP in that country. Their economic growth is an indication of the success of economic development.

The difference between the two is that the success of economic growth is more quantitative in nature, namely an increase in the standard of income and the level of production output produced, while economic development is more qualitative, not only an increase in production, but also changes in the structure of production and the allocation of inputs in various sectors. economic sectors such as in institutions, knowledge, social, and engineering. Furthermore, economic development is defined as a process that causes the income per capita of the population to increase in the long term. Here there are three important elements related to economic development.

### II. RESULT AND DISCUSSION

#### 1. Economy in Indonesia

Economic development in Indonesia is still very lagging behind, although the economic system used is based on Pancasila which is in accordance with the Pancasila paradigm in economic development, but if there is no basic harmony such as mastery of science to build the economy towards a better direction, it will certainly be difficult. Indonesia's economic development is based on moral values rather than Pancasila, so in particular the economic system must be based on the basis of divine and human morality. This is to avoid free competition. But the reality that is seen and proven is not in accordance with what was planned or formulated in the objectives of Pancasila as a development paradigm in the economy, namely economic improvement in accordance with an economic system that does not only pursue growth, but for the welfare of the whole nation. The main objective of the economy is to meet the needs of Indonesian people to become more prosperous.

The low economic growth of the Indonesian state is not caused by the system that has been created, but arises from the lack of awareness and level of participation of the people and the government. Examples of concrete things like corruption and lack of mastery of science are evidence that the government and its people are not participating properly. For things that are caused by members of the government that occur due to lack of law enforcement and often the law seems not to move or stop, if the law in Indonesia is really enforced without discrimination, the development of the prosperity of the Indonesian nation will be even better, especially in the economic field so that it does not. There will be various frauds in the implementation of Indonesia's economic development, such as corruption. The lack of mastery of science and the high unemployment rate are the main causes of the difficulty of developing the Indonesian economy because with a lack of science and technology, of course, the Indonesian people/humans will find it difficult to adapt themselves to the current development of science and technology, thus causing a low level of economy. owned by Indonesian people themselves. This will trigger the inhibition of economic growth.

The low Indonesian economy and the increasing budget deficit are one of the main factors in the difficulty of developing into one of the Indonesian economies, because with the increase in the expenditure budget but the lack of revenue budget causes Indonesia's state debt to foreign countries to increase, thus making it difficult for the Indonesian state to make developments. KoThe main causes of the increasing budget deficit are corruption, very wasteful government behavior, and subsidies that are not well targeted. Thus, from the government's very wasteful behavior that will lead to corrupt practices, the main thing that must be improved is the behavior of the government itself. And the provision of subsidies that are not well targeted is also one of the factors that hinders Indonesia's economic growth, if subsidies are really used for what should be, it is possible that education equality will also be carried out well so that with equal distribution of education the level of awareness and mastery of knowledge from Indonesian people will also increase. increasing so that it will support the development of the Indonesian economy in accordance with the Pancasila economic system, namely based on the principles of divinity and humanity or with the Pancasila economic system, namely an economic system based on the moral values of each of the Pancasila precepts, especially the first and second principles concerning divinity and Humanity and the fourth precept which demands the welfare of its people are indeed very good and suitable to be applied in the Indonesian state as a way to improve the level of the Indonesian economy because the Indonesian people have a positive character. very high family and religious system.

Thus, Indonesia's economic/political economic policy must be directed as much as possible for the prosperity of the people's welfare which is required to be able to realize a more just national economy for all citizens so that it will support the realization of an improvement in the education and science system and Indonesia which will support human technology. development of the Indonesian state towards a better economy. So, the people's political economy must provide more opportunities, support, and develop the people's economy which includes cooperatives, small businesses, and medium-sized businesses as the main pillars of national economic development. Therefore, the economy is structured as a joint effort based on the principle of kinship. Companies that fit this situation are cooperatives. So that the people's economy is able to realize because of justice and by necessity and oppression based on being able to develop concrete programs of local government in regions that are more independent and more equitable in regional development, we avoid free competition and monopolies which result in human suffering for humans one by one. other. Because our country has a family economy.

Example of the case of the Indonesian Economy that is

1. Low economic growth
2. Poverty
3. Unemployment
4. Income Gap
5. Foreign Debt
6. Budget debit
7. Industrial Disability
8. Inability to Manage HR
9. Lack of mastery of science and technology
10. Corruption
11. Food problems
12. Development tends to be centralized

## **2. Pancasila ideology**

Pancasila are five basic values in the form of a value system and are idealized as a conception of the basic philosophy of the State, outlook on life and ideology of the Indonesian nation. The five fundamental values are: 1) Belief in One Supreme God; 2) Just and civilized humanity; 3) Indonesian Union; 4) Democracy led by wisdom in deliberation/representation; 5) Social justice for all Indonesian people.

Since August 18, 1945, Pancasila has become the basis of Humanika, Public Lecture Scientific Studies, Volume. 19. Number 1. March 2019 Page : 30-42 35 State philosophy (Philosophieshe Grondlag), State ideology and way of life (Weltanschauung) of the Indonesian nation. "Philosophieshe Grondlag" is defined as fundamentals, philosophy, deepest thoughts, souls, deepest desires to establish an independent Indonesia. Besides, "Weltanschauung" is congruent with the philosophy and ideology that exist in life (Latif, Y., 2015). Pancasila as the basis of the philosophy of the State because the material cause or the origin of the material comes from religion, the cultural customs of the Indonesian nation itself (Kaelan, 2016). The values of the nation's view of life which are extracted from various local wisdoms, religions and human values are used as the basis for the ideology of the Indonesian nation.

According to Lyman Tower S. (1986) ideology is a system of values or beliefs that are accepted as fact or truth by certain groups. Ideology consists of a series of attitudes towards various social institutions and processes. Ideology gives believers a picture of the world as it is and should be, and organizes the complexities of life in a simple and understandable way. Likewise, according to Yudi Latif (2015) ideology is a world view (weltanschauung) that is oriented and systematized in a scientific-philosophical manner.

The ideology of Pancasila brings private and community moral sources (religion, local wisdom, etc.). Historically, the five precepts of Pancasila are a combination of a diversity of beliefs (Latif, Yudi. 2015), understandings and hopes that developed within the Indonesian nation itself. The first precept is a synthesis of all religions and beliefs. The second precept is a synthetic formulation of all social-humanitarian understandings and ideals that are transnational in nature. The third precept is a synthetic formulation of ethnic diversity into national unity. The fourth precept is a synthetic formulation of all ideas regarding sovereignty. The fifth precept is a synthetic formulation of all understandings of socio-economic justice.

The fundamental values of Pancasila are translated into instrumental values in the 1945 Constitution of the Republic of Indonesia in the form of legal norms and other norms. This norm is still general. Then described

Humanics, Scientific Studies of General Courses, Volume. 19. Number 1. March 2019 Page: 30-42 36 returns to practical values in the form of laws or other regulations and has implications for the behavior of the nation in the life of society, nation and state. The Pancasila Economic System.

The Pancasila Economic System (SEP) is an economic system that is explored and built from the values that are embraced in Indonesian society. Some of the basic principles contained in the SEP, among others, relate to the principles of humanity, economic nationalism, economic democracy embodied in a people's economy, and justice. Just as Neoclassical economic theory was built on the basis of liberalism by prioritizing the value of individualism and market freedom (Mubyarto, 2002: 86), SEP was also built on the values that live in Indonesian society, derived from religious, cultural, and social values. customs, or norms that shape the economic behavior of Indonesian society.

Another formulation states that: "In an Economic Democracy based on Pancasila, things such as the free fight liberalism system that fosters exploitation of humans and other nations which historically in Indonesia have created and maintained structural weaknesses of the national economy and Indonesia's position in the world economy must be avoided. , Etatism system in the sense that the state and its state economic apparatus are dominant, urging and killing the potential and creative power of economic units outside the state sector, Unfair competition and concentration of economic power in one group in various forms of monopoly and monopsony which harm society and its aspirations. social situation. (GBHN 1993) Characteristics of the Pancasila Economy

1. The first that controls the livelihood of the people is the state/government. There is also Article 33 Paragraph 2 of the 1945 Constitution which reads "Production branches which are important to the state and which affect the livelihood of the people are controlled by the state". Examples of people's livelihoods are: water, fuel oil / fuel, mining / agricultural products.

2. The role of the state is important but not dominant, and so is the role of the private sector whose position is important but not dominant. So that there is no condition of a liberal economic system or a command economy system, the two parties, namely the government and the private sector, live side by side, peacefully side by side and support each other.

3. Society is an important part where production activities are carried out by all for all and are led and supervised by community members.

4. Capital or labor do not dominate the economy because it is based on the principle of kinship between fellow human beings.

Comparison of Pancasila Economy with Other Economies, namely the economic system based on Pancasila is different from the liberal economic system which only benefits individuals without concern for other humans. Such an economic system is also different from the economic system in the socialist system which does not recognize individual ownership.

Capitalism or Capital is an understanding that believes that the owner of capital can carry out his business to achieve the maximum profit. For the sake of this principle, the government cannot intervene in the market for mutual benefit, but government intervention is carried out on a large scale for personal interests.

Social Economy is economic resources or factors of production claimed as belonging to the State. An economic system in which all economic activities are planned, implemented, and controlled by the central government.

### **3. Pancasila as a Development Paradigm**

Pancasila as the ideology or way of life of the nation implies that Pancasila is a development paradigm. Paradigm according to KBBI is a model in scientific theory or framework of thought. Meanwhile, according to Denis Goulet (1997), a figure who pioneered development ethics, mentions three views on development: first, a view that sees development as synonymous with economic growth, with indicators of GNP and annual growth rates; second, as formulated by the United Nations, that "development is economic growth plus social change". Development in this sense is very broad, but it is often emphasized on the development of the division of labor, the need for new institutions, the demand for new attitudes that are compatible with modern life; and a third

view of development emphasizes ethical values. Emphasis is placed on the qualitative improvement of the whole society and all individuals in society.

Thus the development paradigm is a way of thinking, thinking reference, thinking pattern, or frame of mind in carrying out a development process which includes social aspects, political aspects, economic aspects, defense aspects, infrastructure aspects, educational aspects, technological aspects, cultural aspects and so on. .

Pancasila is expected to be a matrix or frame of reference to build a model of society or to renew the socio-cultural order. There are two functions of Pancasila as a frame of reference, namely: first, Pancasila becomes the basis of a vision that inspires to build a pattern of socio-cultural order in the future, building a vision of Indonesian society in the future; and second, Pancasila as basic values become a reference for socio-cultural criticism (Siswoyo, D. 2016). In the aspect of education, national education must be united on the basis of Pancasila. According to Notonagoro (1973) in Siswoyo, D. Humanika, Scientific Studies of General Courses, Volume. 19. Number 1. March 2019 Page : 30-42 37 (2016), it is necessary to develop a scientific system based on Pancasila regarding the teachings, theories, philosophy, and practice of national education, which will become the sole basis for solving national education problems.

In the economic aspect, national economic development must also mean the development of an economic system that is considered the most suitable for the Indonesian nation. In the preparation of a strong national economic system to create a just and prosperous society, it is based on Pancasila. That is what is called the Pancasila Economic System. According to Yudi Latif (2015) an economy developed with a family spirit. While the Pancasila Economic system is not a liberal-capitalistic economic system, nor is it an ethical or state-wide economic system. However, the market system still colors economic life (Mubyarto, 1997).

Furthermore, Pancasila is also the spirit or reference in the development of science and technology. The development of science and technology must be based on a moral value, namely Pancasila so that it is appropriate and acceptable to the people of Indonesia.

The hope is that Pancasila can support a great civilization and make Indonesia a great country. Because according to John Gardner in Yudi Latif (2015) states that no nation can achieve greatness if that nation does not believe in something, and something that it believes in has a moral dimension to sustain a great civilization.

#### **4. Pancasila as an Economic Development Paradigm**

In accordance with the Pancasila paradigm in economic development, the system and economic development are based on moral values rather than Pancasila. In particular, the economic system must be based on divine morality (sila I Pancasila) and humanity (sila II Pancasila). This is to avoid free competition. Humanistic economy is based on the goal for the welfare of the people at large. The economic system is not only pursuing growth, but for the welfare of the entire nation. The purpose of the economy is to meet human needs so that humans become more prosperous. Therefore, we must avoid free competition and monopolies that result in human suffering and oppression of human beings against one another. Our country has a family-based economy.

Pancasila as a paradigm of economic development refers more to the Fourth Precepts of Pancasila. Meanwhile, economic development refers to the development of the Indonesian Economic System. Thus it refers to the development of the People's Economy or the development of Economic Democracy or the development of the Indonesian Economic System or the Pancasila Economic System. Mubyarko has developed a people's economy, namely a humanistic economy that is based on the welfare of the people in general. Economic development is not only pursuing growth but for the sake of humanity for the welfare of the family of the whole nation. Economic development is based on the fact that the purpose of the economy is to meet human needs so that humans become more prosperous. Therefore, it must be based on humanity, namely for the welfare of humans, the economy for human welfare, so that we must avoid economic development that is only based on free competition, monopoly and others that cause suffering to humans.

In the People's Economy, politics/economic policies must be for the greatest prosperity/welfare of the people who must be able to create a national economy that is more just for all citizens (no longer what was like during



the New Order which favored large economies/conglomerates). The Politics of People's Economy, which provides more opportunities, supports, and develops the people's economy, which includes cooperatives, small businesses, and medium-sized businesses as the main pillars of national economic development. Therefore, the economy is structured as a joint effort based on the principle of kinship. Build a company that fits this is a cooperative.

The People's Economy will be able to develop concrete local government programs in the era of regional autonomy that are more independent and more capable of realizing justice and equitable regional development. Thus, the People's Economy will be able to empower the region/people in the economy, so that it is more just, democratic, transparent, and participatory. In a People's Economy, the democratic Central Government (State) plays a role in enforcing compliance with regulations that protect citizens or increase legal certainty.

In addition, we must improve the system of democratic institutional relations so that there is no opportunity for collusion between political authorities and businessmen, even bureaucrats and businessmen to grow. The nation as the main element as well as the subject in the state which is the embodiment of human nature, individual social beings are as one nation's family.

Therefore, economic change and development must be placed on increasing the dignity and welfare of the entire nation as one family.

### III. CONCLUSION

In accordance with the Pancasila paradigm in economic development, the system and economic development are based on moral values rather than Pancasila. The purpose of the economy is to meet human needs so that humans become more prosperous. Therefore, we must avoid free competition and monopolies that result in human suffering and oppression of human beings against one another. Our country has a family-based economy. Mubyarko has developed a people's economy, namely a humanistic economy that is based on the welfare of the people in general. Economic development is not only pursuing growth but for the sake of humanity for the welfare of the family of the whole nation.

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