

INCLUSIVE DEVELOPMENT MODELS: STRATEGIES TO REDUCE INCOME GAPS AND SUPPORT SUSTAINABLE ECONOMIC GROWTH

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Abstract

The inclusive development model is a strategic approach that aims to reduce income inequality and support sustainable economic growth. It prioritises the principles of equity in resource distribution, access to basic services such as education, health and infrastructure, and ensures the active participation of all segments of society, including vulnerable groups. Through income redistribution policies, quality job creation, and collaboration between the public and private sectors, inclusive development has the potential to address structural issues such as poverty, unemployment, and social inequality. With a holistic approach, this model not only promotes quantitative economic growth, but also builds the foundation for a fair, resilient and sustainable economy in the long run.

Keywords: Inclusive Development Model, Strategies to Reduce Income Gap, Sustainable Economic Growth.

Introduction

Economic development is one of the main goals that every country wants to achieve. Economic development is a process that aims to improve the standard of living and overall welfare of a society through improved economic, social and institutional conditions. This process includes activities such as increasing production and productivity, providing adequate infrastructure, creating jobs, and improving access to health and education services. In addition, economic development also focuses on poverty alleviation, reducing social disparities, and creating economic opportunities for all, to ensure sustainable and inclusive growth (Baldwin, 2024).

However, in the midst of rapid economic growth, challenges often arise in the form of a widening income gap. This gap not only has social impacts, such as increasing poverty rates, but also hampers the achievement of sustainable economic growth. In many cases, high economic growth has not been able to automatically shrink income disparities between groups of people, whether by geography, economic sector, or level of education (David H., 2025).

Traditional development models that tend to be orientated towards increasing gross domestic product (GDP) often do not pay attention to inclusiveness. This led to vulnerable groups, such as low-income communities, women, and people living in

remote, underdeveloped and marginalised areas, not benefiting sufficiently from development outcomes. In fact, development that does not favour all components of society can trigger socio-political instability, have a negative impact on national productivity, and lead to economic losses (Summers, 2022).

Alternatively, inclusive development has emerged as a strategic approach that focuses on engaging, empowering and equitable distribution of benefits to all segments of society without exception. This development model not only aims to narrow the income gap but also supports sustainable economic growth through the creation of employment opportunities, access to education and health services, and a fairer distribution of resources. The inclusive approach places special emphasis on equal economic opportunities and social justice, so that all groups in society have the opportunity to contribute to and benefit from development (Acemoglu & Robinson, 2020).

Inclusive development in the context of the global economy is essential to create equitable and sustainable growth. In the era of globalisation, economic disparities between developed and developing countries as well as within countries themselves are a significant challenge (Mazzucato, 2021). Inclusive development ensures that the benefits of economic growth are shared by all groups in society, including those that are often marginalised, such as women, the poor and rural communities. By providing equitable access to education, health, employment and investment opportunities, inclusive development promotes the involvement of all people in economic processes and reduces the risk of inequalities that can trigger social instability (Brookings Institution, 2023).

Furthermore, inclusive development contributes to global economic stability. When all groups of people have access to economic resources and opportunities to improve their lives, people's purchasing power increases, which in turn supports international market demand. In addition, equitable development also fosters collaboration between countries and creates healthier and more sustainable trading relationships. In the long run, an inclusive global economy can reduce the risk of conflict, minimise the impact of extremes such as extreme poverty, forced migration and inequality, thereby creating a more just and stable world for all (Jones, 2022).

However, efforts to implement inclusive development are not free from challenges, such as lack of coordination between institutions, limited access to valid data, and lack of attention to vulnerable groups. Therefore, it is important to develop effective strategies to implement an inclusive development model that not only reduces income inequality, but also supports long-term sustainable economic growth (Sachs, 2021).

In this context, research on Inclusive Development Models: A Strategy to Reduce Income Gap and Support Sustainable Economic Growth is relevant to be conducted. This research is expected to contribute to formulating development policies that are

oriented towards income equality and the welfare of society as a whole, as well as encouraging the achievement of more equitable and sustainable economic development.

Research Methods

The study in this research uses the literature method. Literature research method is a method conducted by collecting, reviewing, and analysing relevant sources of information, such as books, journals, articles, documents, and research reports, to understand and explain a particular phenomenon or topic. This research is descriptive and focuses more on secondary data than primary data, so it is suitable for formulating concepts, finding research gaps, or developing theoretical frameworks (Paré & Trudel, 2007) ; (Borenstein et al., 2009) . This method usually involves steps such as topic identification, selection of credible literature sources, content analysis, and preparation of the results. Literature research helps researchers strengthen arguments, provide theoretical foundations, and understand the development of existing studies related to the research topic (Silverman, 2015) .

Results and Discussion

Inclusive Development Model in Providing Solutions to Reduce Income Gap

Inclusive development is an approach that focuses on spreading economic benefits to all levels of society, including marginalised or disadvantaged groups. This model is an important solution to reducing income inequality, especially in an era of globalisation where inequalities often become sharper. An inclusive development approach ensures that all individuals have access to economic opportunities, education, health services, and infrastructure to support active participation in income generating activities and development (Goldin, 2020) .

One of the key components of an inclusive development model is fulfilling access to education. Quality and affordable education enables people from different economic backgrounds to develop their skills and improve their competitiveness in the labour market. Countries that prioritise inclusive education - including access for the poor and minority groups - will have greater potential to empower their citizens economically. With equitable education, people have the opportunity to get better jobs and higher incomes (United Nations, 2023) .

In addition to education, ensuring equitable access to healthcare also plays an important role. Good health is the foundation of productivity. In an inclusive development model, health services must be accessible to all levels of society, without discrimination based on socio-economic status. When people have access to health services, the risk of high health costs as a cause of poverty can be minimised. This allows poor families to focus on their economic development, without being burdened by medical costs (Fukuyama, 2014) .

Inclusive development also emphasises the importance of equitable job creation. Income inequality often stems from unequal access to decent work. The government and private sector should work together to create inclusive industries, such as job training programmes and support for micro, small and medium enterprises (MSMEs), especially in rural or less developed areas. By supporting job creation for certain previously marginalised groups, people have a real opportunity to improve their economic conditions (Stiglitz et al., 2009).

Income redistribution through fiscal policy is an integral part of inclusive development. Progressive taxation and the use of budget to fund social programmes such as subsidies for the poor can help reduce the sharp gap between the rich and the poor. These policies provide opportunities for low-income people to access quality basic services such as housing, education and transport, thereby increasing their ability to generate income in the future (Rodrik, 2024).

Access to financial resources is also a priority in inclusive development models. Often, the poor do not have access to banking or credit to start a business. Microfinance institutions, cooperatives, and government programmes that provide interest-free or low-interest small business loans can be a solution to empower this group of people. With adequate access to finance, individuals have the opportunity to increase their income through productive ventures such as small businesses (Gopinath, 2023).

Equitable infrastructure development is another important factor. Infrastructure such as roads, electricity, and internet must be accessible to all areas, including remote areas. With good infrastructure, marginalised communities will find it easier to market their products, take part in online training, or gain closer access to education. Equitable infrastructure removes geographical barriers that are often the cause of income inequality (UN Environment Programme (UNEP), 2025).

Women's empowerment is a crucial aspect that is often the focus of inclusive development. Women often face income inequality due to lack of access to education, employment or financial resources. Empowerment programmes that support women's involvement in the world of work or business, either through training or financial assistance, can significantly increase family income. This will also have an effect on strengthening the economy at the national level (Organisation for Economic Co-operation and Development (OECD), 2023).

Inclusive development models also seek to strengthen local communities. Through community-based empowerment programmes, people are encouraged to work together to create local solutions to their economic challenges. Collaboration in the form of co-operatives, business groups or joint projects can support more equitable income distribution. This approach also promotes social solidarity and supports poverty alleviation at the grassroots level (Milanovic, 2022).

The use of technology and innovation also has great potential in inclusive development models to reduce income inequality. Technology can open up access to

digital markets, online education, or remote health services for the poor or remote communities. With the strategic utilisation of technology, individuals or groups previously excluded from the conventional economic system can actively participate in development and generate stable income (OECD, 2016).

The overall inclusive development model requires strong support from the government, private sector and civil society. Government policies that favour reducing inequality, collaboration with private companies to create economic sustainability, and active participation of communities in development programmes can be an ideal combination to create an equitable economic system. This support ensures that economic inclusion is consistent and not just a temporary agenda (United Nations, 2023).

Thus, by applying an inclusive development model, income inequality can be significantly reduced. This approach not only creates a more equitable society, but also supports healthier and more sustainable economic growth. In the context of a globalised economy, inclusive development is an urgent necessity to ensure that the benefits of development are not just concentrated in certain groups, but are spread widely so as to improve the quality of life of all people.

The Impact of Inclusive Development on Income Gaps

Inclusive development is an approach that focuses on ensuring all segments of society, including vulnerable groups, benefit from economic development. It aims to reduce social, economic and political barriers that prevent marginalised groups from participating fully in the economy. By implementing inclusive development, countries can narrow the income gap between groups in society (Deaton, 2025).

Firstly, inclusive development provides more equitable access to economic resources such as education, health and infrastructure. When previously disadvantaged groups can have access to these basic services, they become more competitive and are able to improve their quality of life. Equitable education, for example, allows more people to acquire relevant skills for better paying jobs (Ostrom, 2025).

Second, inclusive development policies often emphasise the development of MSMEs (Micro, Small and Medium Enterprises) in remote and poor areas. MSMEs play an important role in creating jobs for local communities. By supporting this sector through funding, training, and market access, the government helps reduce the concentration of wealth in large corporations, making income equality easier to achieve (Krugman, 2023).

On the other hand, inclusive development also creates opportunities for women and minority groups to participate more actively in the economy. Many countries have enacted gender equality and local community empowerment policies. When women and minorities have equal opportunities in employment and business, the income gap

between genders and regions can be significantly reduced (International Energy Agency (IEA), 2024).

However, these positive impacts are not immediate, but take time to materialise. Inconsistent or poorly planned inclusive development policies can lead to new inequalities. For example, unequal access to resources due to corruption or lack of oversight can leave certain groups behind, despite the country's inclusiveness efforts (Kuznets, 1955).

In addition, the success of inclusive development in reducing income inequality relies heavily on co-operation between the government, private sector and civil society. The government needs to ensure that inclusive policies are supported with sufficient budget and effective implementation, while the private sector also needs to create equal employment opportunities for all levels of society (Todaro & Smith, 2020).

Technology also plays an important role in inclusive development. The use of digital technologies such as fintech (financial technology) has helped many poor people gain access to financial services. When previously unbanked groups are given access to microloans, they can establish small businesses that support family income, thereby reducing economic inequality (Sen, 1999).

However, a major challenge in inclusive development is resistance to change from some vested interests. In many cases, economic elites or monopolies oppose these policies because they feel they will lose their dominance over resources. These conflicts of interest can hinder the implementation of inclusive development, which requires decisive strategies (Intergovernmental Panel on Climate Change (IPCC), 2023).

Inclusive development also has a long-term positive impact on social stability. By narrowing the income gap, conflicts caused by economic inequality can be minimised. When people feel that they have equal rights in development, a sense of justice is enhanced, which contributes to social harmony in a country (World Bank, 2020).

Overall, the impact of inclusive development on income inequality is significant if planned well and implemented consistently. This approach provides not only economic, but also social benefits, by creating a fairer society and more equitable opportunities for all individuals. The government needs to continue to innovate to ensure the sustainability of inclusive development efforts to realise a more equal society.

Sustainable Economic Development Strategy

Sustainable economic development is an approach that integrates economic growth, social equity and environmental protection. It aims to create a balance between the needs of current and future generations without compromising precious natural resources. This approach is becoming increasingly relevant amid global challenges such as climate change, environmental degradation, and growing social inequality. For this

reason, sustainability-oriented development must be a top priority in government policies, economic actors, and the wider community (Friedman, 2024).

One of the key steps in implementing sustainable development is to promote a green economy. The green economy encourages environmentally friendly and low-carbon emission economic activities, while creating quality jobs. Active participation from industry, agribusiness and technology sectors is needed to develop efficient production practices that minimise waste and negative impacts on ecosystems. The government can encourage these sectors through fiscal incentives, supportive regulations, and training programmes (Piketty, 2014).

The utilisation of renewable energy is also an important element in sustainable development strategies. Fossil fuels, which have been the backbone of economic growth, have been proven to cause pollution and depletion of natural reserves. Therefore, the transition to clean energy such as solar, wind and hydro power must be accelerated. In addition to reducing greenhouse gas emissions, renewable energy provides long-term investment opportunities for the development of new technologies based on sustainability (Harari, 2021).

Inclusive development policies are another pillar of this strategy. Inclusive economic development ensures that all groups of people, including the marginalised, have fair access to resources and economic opportunities. The government needs to ensure that basic infrastructure, education and health are equally available in every region, especially remote areas. By creating equality, existing human potential can be optimally utilised to drive equitable economic growth (Baldwin, 2024).

Digitalisation and technological innovation also play an important role in sustainable development. Technology can be used to create effective solutions that reduce costs while increasing efficiency. For example, the adoption of digital technology enables small and medium enterprises to reach global markets without incurring huge costs. Technology can also be utilised to closely monitor and manage natural resources, so that ecosystems are maintained (David H., 2025).

The education sector should be a major focus in sustainable development strategies, given that education is the foundation for an environmentally conscious and skilled society. Education programmes should prepare individuals to understand the importance of conserving nature and utilising technology wisely. In addition, vocational training is needed to create a competent workforce in strategic sectors, especially those based on sustainability (Summers, 2022).

International cooperation is also a crucial aspect in realising sustainable development. Environmental problems such as climate change, marine pollution and biodiversity depletion have no geographical boundaries, requiring a global approach to solve them. Countries must work together to form agreements, such as the Paris Agreement, to reduce the impact of climate change while accelerating the clean energy transition (Acemoglu & Robinson, 2020).

Community participation is essential in this strategy because sustainable development cannot be top-down. Empowering the community to contribute to sustainability movements, such as household waste reduction and tree planting, can create a significant impact. In addition, public education through social campaigns can increase public awareness about wise behaviour and shared responsibility for the environment (Machi & McEvoy, 2016).

Wise management of natural resources should be a priority in economic development. Over-exploitation of resources such as forests, water, and mines can result in long-term damage that is difficult to repair. Therefore, development strategies need to be geared towards efficient use of resources while ensuring sustainable conservation of ecosystems (Brookings Institution, 2023).

Overall, a sustainable economic development strategy requires synergy between government policies, private sector actors, technological innovation, and public awareness. Integrating economic growth with social and environmental sustainability is key to creating a better future. With the right measures in place, sustainable development not only benefits the current generation, but also ensures that future generations can enjoy true prosperity.

Conclusion

The inclusive development model focuses on reducing income inequality while supporting sustainable economic growth. It focuses on creating equitable opportunities for all members of society to actively participate in the economic process, including vulnerable groups such as the poor, women and people with disabilities. By improving access to education, health and infrastructure, this model ensures that every individual has the opportunity to improve their lives and reduce social inequality.

Inclusive development strategies emphasise the need for policies that support income redistribution and quality job creation. Government interventions, such as progressive taxation, basic needs subsidies and social protection programmes, are important tools to narrow the gap between the rich and poor. In addition, collaboration between the public and private sectors is needed to accelerate infrastructure development that supports economic inclusion and encourage innovation in socially-oriented businesses.

Overall, the inclusive development model aims not only to improve people's material well-being, but also to create a fairer and more resilient economy. By prioritising this approach, it is expected that the pattern of economic growth will not only be quantitative but also address structural issues such as poverty, unemployment and inequality. Inclusive development is a comprehensive solution to realising sustainable and inclusive economic growth, so that it can benefit all levels of society in an equitable manner.

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