



## IKN Nusantara: Driver of Sustainable Economic Growth for Indonesia's Future

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**Abstract** - This study explores the relocation of Indonesia's capital from Jakarta to Nusantara (IKN), a strategic initiative aimed at addressing environmental, economic, and social challenges while fostering sustainable economic growth. Utilizing a Systematic Literature Review (SLR) methodology, the research examines existing studies to assess the potential and challenges associated with the project. Key findings highlight IKN's role in redistributing economic activities, mitigating Jakarta's overpopulation and infrastructure strain, and promoting regional development in East Kalimantan. The project is expected to enhance national GDP distribution, create millions of jobs, and position IKN as a smart and sustainable urban model. However, concerns over financing, environmental impacts, and socio-cultural adaptations present critical challenges that require comprehensive strategic planning. This study contributes to the discourse on national capital relocation, providing insights for policymakers to optimize the economic and environmental benefits of this transformative endeavor.

**Keywords** - IKN Nusantara, Sustainable Economic Growth, Indonesia

### 1. INTRODUCTION

The development of the National Capital City (IKN) Nusantara is one of the national strategic projects that has a significant impact on the development and economic growth of Indonesia. The decision to move the capital from Jakarta to East Kalimantan reflects the government's long-term vision in creating a new, more sustainable economic and government center. The relocation of Indonesia's capital from Jakarta to the newly designated National Capital City, Nusantara (IKN), represents a pivotal moment in the nation's history, driven by a combination of environmental, economic, and social factors. This research explores the phenomenon and significance of establishing a new national capital in Indonesia, focusing on government efforts to foster new economic growth.

The relocation of the National Capital is based on several underlying phenomena and the basis of thinking, including : Jakarta has long been plagued by severe environmental issues, including land subsidence, flooding, and overpopulation. The city is one of the fastest sinking urban areas globally, with some regions subsiding by up to 25 cm annually due to excessive groundwater extraction and rapid urbanization. (Arc, 2024; McEwan & Skinner, 2024a)

These challenges have rendered Jakarta increasingly uninhabitable and unsustainable as a capital city. In response, President Joko Widodo announced plans to relocate the capital to the Archipelago in East Kalimantan, a move that has been discussed since Indonesia's

independence but gained momentum in recent years due to pressing environmental concerns (Maudisha, 2023; Permatasari, 2024) .

The establishment of IKN is anticipated to stimulate economic growth through significant infrastructure investments estimated at around \$35 billion. This project is expected to create approximately 2 million jobs by 2045 and boost the construction sector's growth rate by an average of 8.5% per annum until 2028 (Arc, 2024; McEwan & Skinner, 2024a) .

**Regional Economic Disparities** According to data from the Central Statistics Agency (BPS), more than 58% of Indonesia's gross domestic product (GDP) in 2021 came from Java, with Jakarta as the main contributor (Bayu Saputra, 2023; Faesal Mubarak, 2026; Mahdi, 2022) . Meanwhile, the contribution of Kalimantan, Sulawesi, and other regions outside Java is relatively low. This disparity shows that economic growth in Indonesia is not evenly distributed, and Java is very dominant. The relocation of the IKN to Kalimantan is expected to improve this disparity, encourage accelerated development outside Java, and create a new, more balanced economic center. The relocation of the capital to East Kalimantan is expected to diversify the local economy, shifting from natural vegetation and agriculture to urban infrastructure, which could lead to economic growth and urban expansion in the region (Ristanto et al., 2022; ASN Syaban & Appiah-Opoku, 2024) . This shift is projected to increase the Gross Regional Domestic Product (GRDP) of Kalimantan by 22%, while Jakarta's GRDP may decrease by 7% (Yusuf et al., 2023) .

**Urbanization and Pressure on Jakarta** . Jakarta faces a number of serious problems, including traffic congestion, air pollution, and the increasing risk of flooding due to land subsidence. As the center of government, Jakarta experiences a heavy infrastructure burden, with more than 10 million residents and a metropolitan area exceeding 30 million people (Indonesia, 2024; Mahdi, 2022) . This phenomenon has triggered an urgency to shift some of Jakarta's burden to other areas that are better able to accommodate growth.

**Climate Change and Environmental Sustainability.** The selection of the IKN location in East Kalimantan is also considered strategic because the area is relatively safer from the threat of natural disasters such as earthquakes and volcanic eruptions, which are risks in many areas on the island of Java. In addition, by considering environmental aspects, the development of the IKN Nusantara is designed as an environmentally friendly sustainable city with the use of green energy and better water management (Said et al., 2024; Sumantri, 2022) .

**Vision of New Economic Growth.** The IKN Nusantara project not only aims to create a new center of government, but also to build a new economic ecosystem that integrates technology, creative industries, and innovation. The government targets that the IKN will

become a center of investment and attract global companies engaged in technology, digital, and renewable energy. Thus, Nusantara will become a catalyst for new, more inclusive and sustainable economic growth in Indonesia (Aprianti et al., 2023; Julian Perdana, 2024; ASN Syaban & Appiah-Opoku, 2024) .

The process of moving the capital city not only involves physical development, but also involves economic transformation aimed at creating new growth centers outside Java. The Indonesian government is trying to make the IKN Nusantara a symbol of progress, innovation, and sustainability which is expected to attract investment, encourage job creation, and accelerate economic equality. Various sectors, such as infrastructure, transportation, technology, and renewable energy (Aprianti et al., 2023; Julian Perdana, 2024; ASN Syaban & Appiah-Opoku, 2024) , are expected to be the backbone of new, more inclusive and sustainable economic growth in the region.

However, this ambitious project also faces various challenges, both in terms of financing, environment, and socio-culture. Therefore, it is important to conduct an in-depth study related to the potential of IKN Nusantara as a government effort to encourage new economic growth in Indonesia. In this context, the *Systematic Literature Review* (SLR) method is the right tool to identify, evaluate, and synthesize relevant previous studies. This method will help provide a comprehensive picture of what is already known about the role and impact of IKN Nusantara on the Indonesian economy, while also identifying research gaps that still need to be explored.

Using the SLR method, this study aims to answer important questions related to the role of the Indonesian Capital City as a new center of economic growth, the potential and challenges faced, and how the government's efforts to maximize the economic benefits of this project. Through systematic literature analysis, this study is expected to provide a significant contribution to the understanding of the economic impacts of the development of the capital city and assist in making more effective policies in the future.

## **2. METHODS**

This study uses the *Systematic Literature Review* (SLR) method to analyze various studies, articles, and publications related to the phenomenon (Azarian et al., 2023) of the relocation of the Indonesian Capital City (IKN) and its impact on the national economy. SLR was chosen because this method allows for a comprehensive and systematic picture of the developments, challenges, and opportunities arising from the capital city relocation policy.

The SLR stages start from: Development and Validation of Protocols: Establishing review protocols and guidelines to ensure consistency and transparency (Mohamed Shaffril et

al., 2021; Riaño-Casallas & Rojas-Berrio, 2023) . Formulation of Research Questions: Defining specific research questions to guide the review process (Mohamed Shaffril et al., 2021; Saputra et al., 2023) . Systematic Searching Strategies: Employing comprehensive search methods to identify relevant studies, often using databases like Scopus and Web of Science (Azarian et al., 2023; Saputra et al., 2023) . Quality Appraisal: Evaluating the quality of the selected studies to ensure they meet predefined criteria . Data Extraction and Synthesis: Extracting relevant data and synthesizing findings using methods like meta-analysis and meta-synthesis 2 6. Reporting and Demonstration: Following established reporting guidelines, such as PRISMA, to present the findings clearly (Phillips et al., 2023; Saputra et al., 2023) .

**Systematic Literature Review (SLR)** approach, which is a structured and systematic method to identify, evaluate, and interpret all research literature relevant to a particular topic. This method is used to provide a comprehensive understanding of the government's strategic steps in building the Indonesian Capital City (IKN) as a driver of new economic growth in Indonesia. To ensure that this research is based on relevant and high-quality literature, inclusion and exclusion criteria are applied in selecting studies. The criteria are as follows:

- Studies that focus on the development of new capital cities, urbanization, or the economic impact of moving the capital city.
- Research relevant to the topic of IKN Nusantara or the capital city development project in Indonesia.
- Articles published in the last 10 years (2014–2024).
- Articles in English or Indonesian.
- Research published in recognized journals, conference proceedings, or official reports from government agencies.

Literature search was conducted using keywords that are in accordance with the research topic to obtain relevant articles. The keywords used include: *IKN Nusantara* , *new capital city of Indonesia* , *capital city relocation* , *economic growth* , *development strategy* , *capital city development* .

The search process was conducted in various recognized academic databases, including: **Google Scholar** , **Scopus** , **Web of Science** , **ScienceDirect** , **JSTOR** . In addition, Boolean combinations were also used to narrow the search, such as: ("IKN Nusantara" OR "new capital") AND ("economic growth" OR "development strategy") .

After the literature search, the results obtained were selected through two main stages:

1. **Title and Abstract Screening** : At this stage, articles that are not relevant or do not meet the inclusion criteria are removed based on the title and abstract. Articles that pass the initial selection are then analyzed further.
2. **Full Text Review** : The remaining articles were analyzed in full to ensure that they met all inclusion criteria and could make a significant contribution to the research.

### 3. RESULTS AND DISCUSSION

**The Urgency of Relocation** . The government aims to decentralize economic activity from Java, which currently dominates Indonesia's GDP, contributing over 57% compared to just under 21% from other major islands (Arc, 2024) . By relocating the capital, the government seeks to promote equitable development across the archipelago, particularly in underdeveloped regions like Kalimantan.

**Sustainability and Urban Planning.** Nusantara is envisioned as a "smart forest city," integrating modern urban planning principles with sustainability goals. Approximately 70% of the city will be green space, and it aims for carbon neutrality through renewable energy initiatives and efficient public transportation systems (Berawi, 2024; Translation, 2022) . The design incorporates advanced technologies such as AI and IoT to create a resilient urban environment that can adapt to climate challenges while enhancing the quality of life for its residents (Berawi, 2024) .

**Social Considerations.** The relocation also addresses social disparities by promoting inclusive development. The government emphasizes that IKN will be accessible to all citizens, fostering community engagement and participation in governance and urban development (Translation, 2022) . This inclusive approach aims to create a harmonious living environment where diverse populations can thrive together.

**Challenges Ahead.** Despite its ambitious goals, the IKN project faces several challenges. Financial feasibility remains a concern, with approximately 80% of construction costs expected to come from private investments (McEwan & Skinner, 2024a) . Additionally, ecological impacts on the undeveloped area of Kalimantan have raised questions about sustainability and environmental preservation. The government must navigate these complexities while ensuring that IKN does not become a "ghost town" but rather a vibrant hub of activity that reflects Indonesia's national identity and aspirations for future growth (Arc, 2024). The relocation of Indonesia's capital from Jakarta to Nusantara (IKN) is poised to have significant implications for Jakarta's economy and infrastructure. Here are the key impacts:

## **Economic Continuity and Growth**

**Sustained Economic Hub** : Jakarta is expected to maintain its role as Indonesia's primary economic center despite the capital shift. Analysts believe that the city will continue to drive national economic activities, contributing approximately 16.77% to the GDP as of 2023, while Java Island collectively contributes 57.05% (Arc, 2024; Prasetyo, 2024) . The government has committed to enhancing Jakarta's economic potential through various initiatives, ensuring it remains a productive city capable of supporting Indonesia's growth (Prasetyo, 2024; Risky Syukur, 2023)

**Sectoral Resilience** : The city's robust sectors, particularly in finance, business, and services, are anticipated to thrive post-relocation. The entertainment and services sectors are expected to play a pivotal role in sustaining economic momentum, even as some civil servants relocate to IKN (Prasetyo, 2024; Risky Syukur, 2023)

**Investment Attraction** : Continued infrastructure development in Jakarta is likely to attract further investments, bolstering job creation and supporting long-term economic sustainability (Risky Syukur, 2023) . The city's established industrial regions surrounding it, such as Bogor and Bekasi, enhance its attractiveness as a business hub.

## **Infrastructure Dynamics**

**Urban Congestion Relief**: The relocation is projected to alleviate some of Jakarta's chronic issues, such as traffic congestion and pollution. Estimates suggest that moving the capital could reduce congestion by 20-30% by reducing the population density associated with government functions

(CSID, 2022) . This could lead to improved commuting times and overall quality of life for residents.

**Focus on Sustainable Development** : The government plans to implement sustainable urban planning practices in IKN that could serve as a model for Jakarta's future developments. This includes enhancing public transportation systems and reducing reliance on private vehicles, which may eventually influence infrastructure upgrades in Jakarta itself (Julian Smit, 2021) .

**Environmental Benefits** : The relocation aims to address environmental challenges faced by Jakarta, such as flooding and air pollution. By reducing the population burden on the city, there may be less strain on its already overburdened infrastructure systems, including water management and waste disposal (Arc, 2024; Julian Smit, 2021) .

The relocation of Indonesia's capital to Nusantara (IKN) is expected to significantly influence the creation of a new national economy by fostering regional development, attracting

investments, and stimulating job creation. Here's how this transition can reshape the economic landscape:

1. Decentralization of Economic Activity

**Balanced Regional Growth** : Currently, about 58% of Indonesia's GDP is concentrated in Java, primarily in Jakarta. The establishment of IKN aims to redistribute economic activities across the archipelago, creating new economic hubs outside Java. This shift is intended to promote equitable growth and reduce regional disparities, allowing other islands to participate more actively in the national economy (Arc, 2024; Office of Assistant to Deputy Cabinet Secretary, 2023)

2. Job Creation and Economic Opportunities

**Massive Employment Potential** : The development of IKN is projected to create between 4.3 million and 4.5 million jobs by 2045, particularly in East Kalimantan, where the new capital is located. This influx of employment opportunities will stimulate local economies and enhance living standards in the region (Arc, 2024; McEwan & Skinner, 2024b)

3. Infrastructure Development

**Construction Boom** : The construction of IKN is expected to drive significant investment in infrastructure, with an estimated cost of around \$35 billion. This includes residential, commercial, and civil engineering projects that will not only support the new capital but also improve connectivity and services across East Kalimantan (Julian Smit, 2021; McEwan & Skinner, 2024b) . The anticipated growth rate for construction activities is around 8.5% annually until 2028, indicating a robust outlook for the sector (McEwan & Skinner, 2024a) .

4. Attracting Investments

**Public-Private Partnerships** : The funding model for IKN relies heavily on public-private partnerships (PPPs), with about 80% of the financing expected to come from private investors. This approach is designed to attract both domestic and foreign investments, stimulating economic activity in various sectors such as real estate, infrastructure, and services . High interest from international investors has already been noted, with delegations from countries like Japan and Korea exploring opportunities in the new capital.

5. Economic Diversification

**New Economic Sectors** : The establishment of IKN is anticipated to catalyze the development of new industries, particularly in sustainable energy and technology sectors.

The focus on creating a smart city will encourage innovation and entrepreneurship, potentially leading to a more diversified economy that can withstand global economic fluctuations (Arc, 2024; Julian Smit, 2021)

6. Long-term Economic Vision

**Strategic Economic Planning** : The government envisions IKN not just as a new administrative center but as a catalyst for broader economic transformation. By integrating modern urban planning with sustainable practices, IKN aims to set a precedent for future developments across Indonesia, aligning with national goals for sustainable growth and resilience against climate change (Arc, 2024) .

**How will the new capital create new economic hubs outside Java**

The establishment of Indonesia's new capital, Nusantara (IKN), is expected to create new economic hubs outside Java through several strategic initiatives and developments. Here's how this transition can foster economic growth in other regions:

1. Decentralization of Economic Activities

**Reducing Java's Dominance** : Currently, Java accounts for about 58% of Indonesia's GDP. By relocating the capital to IKN, the government aims to stimulate economic activities in underdeveloped regions, particularly in Kalimantan and other islands, thus promoting a more balanced national economy (Arc, 2024; Office of Assistant to Deputy Cabinet Secretary, 2023) .

2. Infrastructure Development

**Catalyst for Regional Growth** : The development of IKN will require significant infrastructure improvements, not just within the new capital but also in surrounding areas. Cities like Samarinda and Balikpapan are expected to benefit from enhanced infrastructure, supporting sectors such as logistics and renewable energy. This infrastructure investment will create jobs and attract businesses, further stimulating local economies.

3. Attracting Investments

**Public-Private Partnerships** : The government plans to finance about 80% of IKN's development through private investments. This approach is designed to attract both domestic and foreign investors to the region, fostering new industries and economic activities outside Java. The anticipated increase in trade flows by 50% due to industrial growth in IKN will also benefit nearby provinces (nowjakarta, 2024) .



4. New Economic Sectors

**Emergence of Diverse Industries** : The new capital is envisioned as a hub for innovation and sustainability, focusing on sectors such as green technology, renewable energy, and logistics. For example, Samarinda is expected to shift its focus from traditional mining to sustainable energy (Arc, 2024) . This diversification will help create new economic opportunities in previously underutilized areas.

5. Job Creation

**Employment Opportunities** : The development of IKN is projected to generate approximately 4 million jobs by 2045. This job creation will not only benefit East Kalimantan but also encourage migration from Java, helping to alleviate population pressures in the more densely populated regions (Arc, 2024; Office of Assistant to Deputy Cabinet Secretary, 2023) .

6. Economic Linkages

**Regional Integration** : The establishment of IKN is expected to enhance economic linkages between provinces. Improved transportation networks and logistics capabilities will facilitate trade and commerce between IKN and other regions, fostering inter-regional economic collaboration (nowjakarta, 2024; Office of Assistant to Deputy Cabinet Secretary, 2023) .

7. Government Initiatives for Inclusive Growth

**Supportive Policies** : The Indonesian government has emphasized its commitment to inclusive growth through various policies aimed at enhancing investment climates in regions outside Java. This includes providing incentives for businesses to invest in IKN and surrounding areas

### **What are the expected environmental benefits of the new capital**

The establishment of Indonesia's new capital, Nusantara (IKN), presents several expected environmental benefits aimed at promoting sustainability and addressing the ecological challenges faced by the country. Here are the key anticipated benefits:

1. Carbon Neutrality Goals

**Ambitious Emission Targets** : The Indonesian government aims for IKN to achieve net-zero carbon emissions by 2045. This commitment involves integrating sustainable practices throughout the city's development, including the use of renewable energy sources such as solar power for transportation and infrastructure (Basten Gokkon, 2023; vidiawan, 2022) .

2. Green Urban Planning

**Forest City Concept** : Nusantara is designed as a "forest city," with plans to reserve 70% of its area as green spaces. This approach is intended to enhance biodiversity, improve air quality, and provide recreational areas for residents (Chiello Prasetya, 2023; vidiawan, 2022) The integration of parks, forests, and green belts will help mitigate urban heat and contribute to overall ecological health.

3. Reforestation Initiatives

**Restoration of Ecosystems** : The government has pledged to rehabilitate and reforest areas surrounding IKN, contributing to the restoration of tropical rainforest ecosystems. This initiative aims to enhance carbon sequestration capabilities and preserve local biodiversity, particularly in a region known as the "Heart of Borneo" (Basten Gokkon, 2023; vidiawan, 2022) .

4. Sustainable Resource Management

**Water and Waste Management** : Plans for IKN include advanced water management systems that prioritize clean water availability and efficient waste management practices. The development will focus on minimizing pollution through smart waste management technologies and sustainable resource use (Hannah Brown, 2023) .

5. Low Carbon Transportation

**Fossil Fuel Alternatives** : The new capital will promote electric transportation options, reducing reliance on fossil fuels. This shift is expected to lower greenhouse gas emissions associated with commuting and improve air quality in the region (Basten Gokkon, 2023; Hannah Brown, 2023)

6. Biodiversity Preservation

**Protection of Local Flora and Fauna** : By prioritizing green spaces and maintaining existing natural habitats, the development of IKN aims to protect local wildlife, including endangered species found in Borneo. This commitment to biodiversity is crucial for maintaining ecological balance in the area (Hannah Brown, 2023)

7. Climate Change Mitigation

**Adaptive Urban Design** : The city's design incorporates strategies aimed at climate resilience, such as flood management systems that address potential impacts from climate change. These measures are intended to safeguard both the urban environment and surrounding ecosystems from extreme weather events

## How will the new capital impact job creation in East Kalimantan

The relocation of Indonesia's capital from Jakarta to East Kalimantan, specifically to the new city of Nusantara, is poised to significantly impact job creation in the region. Here's an overview of how this transition is expected to unfold:

### 1. Economic Growth and Job Creation

**Projected Job Creation** : The development of Nusantara is anticipated to create between **3 million to 4.8 million jobs** by 2045, according to various estimates (Arc, 2024; Alfath Satria Negara Syaban & Appiah-Opoku, 2023) . This job creation will stem from extensive infrastructure development and the establishment of new industries in the area.

**Infrastructure Development** : The Indonesian government plans to invest approximately **\$34 billion** in building the new capital, which includes essential infrastructure such as roads, transportation systems, and utilities (Ayman Falak Medina, 2019; Gunung Capital, 2022) . This investment is expected to stimulate local economies and create numerous job opportunities, particularly in construction and related sectors.

**Sectoral Opportunities** : Key sectors that will likely benefit include:

**Construction** : Significant demand for construction workers as various facilities and infrastructure are developed.

### 2. Inclusive Development Strategies

**Focus on Human Resources**: The development of Nusantara emphasizes the importance of enhancing local human resources. By involving local communities and educational institutions in the planning and construction processes, the government aims to ensure that the benefits of economic growth are equitably distributed. This includes training programs aimed at improving skills that meet market demands (Arc, 2024; Laily Rachev, 2022)

**Social Cohesion and Integration**: Nusantara is envisioned as a "city for all," promoting social cohesion among its diverse population. The integration of various cultural backgrounds is expected to foster a more inclusive community, enhancing opportunities for all residents to participate in the economy (Laily Rachev, 2022; Mentari Dwi, 2024)

### 3. Infrastructure Development

**Investment in Connectivity**: The new capital will see substantial investment in infrastructure, including transportation networks and utilities, which are crucial for facilitating trade and movement. Improved connectivity will not only benefit Nusantara but also stimulate economic activities in surrounding regions such as Balikpapan and Samarinda, further promoting equitable development (Arc, 2024; Basten Gokkon, 2023)

## **Challenges and Considerations**

While the potential for achieving economic equality through Nusantara is significant, several challenges must be addressed:

**Land Rights Issues:** There are concerns regarding land acquisition and rights for existing residents, which could lead to inequities if not managed properly. Ensuring fair compensation and relocation for affected communities is critical (Basten Gokkon, 2023)

**Sustainable Development Practices:** The environmental impacts of rapid urbanization must be considered to avoid repeating past mistakes seen in other mega-projects across Indonesia (Basten Gokkon, 2023) . In summary, Nusantara's development is strategically aimed at fostering economic equality by decentralizing growth from Java, promoting inclusive development practices, and enhancing regional infrastructure. However, careful management of social and environmental challenges will be essential to realize these ambitious goals effectively.

## **How will the relocation affect Indonesia's GDP distribution**

The relocation of Indonesia's capital to Nusantara is set to significantly impact the distribution of the country's GDP by promoting economic equality, particularly between Java and other regions. Here are the key ways this transition is expected to influence GDP distribution:

### **Decentralization of Economic Activity**

**Current Economic Disparities:** As of 2023, Java contributes approximately 58% of Indonesia's GDP, with Jakarta alone accounting for 16.77%. In contrast, regions outside Java, such as Kalimantan, contribute only about 8.49% to the national GDP (Arc, 2024; Mentari Dwi, 2024) . The relocation aims to alleviate this concentration by fostering economic growth in East Kalimantan and other regions. **Projected Economic Growth in East Kalimantan:** The development of Nusantara is expected to boost East Kalimantan's economy significantly, with forecasts indicating growth from 2.38% to 6.3% between 2021 and 2030. This growth will be driven by infrastructure investments and job creation, potentially lifting the province's contribution to the national GDP (Arc, 2024; Laily Rachev, 2022) .

### **Job Creation and Investment**

**Job Opportunities:** The new capital is projected to create around 4 million jobs by 2045, which will help reduce unemployment rates in East Kalimantan from approximately 7% to 6.5% (Arc, 2024; Parinduri & Dewi, 2023) . This job creation is crucial for enhancing local economic activity and increasing the region's GDP share. **Attracting Investments.** The government anticipates that the relocation will attract both domestic and foreign investments,

further stimulating economic activity in East Kalimantan. Enhanced investment incentives are expected to draw businesses looking to capitalize on the region's resources and strategic location (Arc, 2024; Mentari Dwi, 2024)

### **Economic Circulation**

**Encouraging Economic Circulation** : President Joko Widodo has emphasized that one of the primary goals of relocating the capital is to ensure that economic benefits circulate beyond Java. By establishing Nusantara as a new economic hub, the government aims to create a more balanced economic landscape across Indonesia (Laily Rachev, 2022; Mentari Dwi, 2024) .

### **Challenges and Limitations**

Despite these positive projections, some analysts warn that the immediate impact on Indonesia's overall GDP growth may be modest. Research from the Institute for Development of Economics and Finance (Indef) suggests that Nusantara could contribute only an additional **0.02 percentage points** to national economic growth in the short term due to its focus on government functions rather than business activities (Gede Dharma, 2020) . In summary, while the relocation of Indonesia's capital has the potential to significantly alter GDP distribution by promoting regional equity and stimulating growth in underdeveloped areas, careful management and sustained investment will be crucial for realizing these benefits fully.

## **4. CONCLUSION**

The relocation of Indonesia's capital to IKN represents a pivotal move toward achieving sustainable and inclusive economic growth. By decentralizing economic activities from Java and addressing Jakarta's chronic issues, the project seeks to balance regional development and stimulate new economic hubs. The study underscores the potential of IKN to serve as a model for smart and sustainable urban planning while driving innovations in technology and renewable energy. Nevertheless, the initiative faces significant hurdles, including financial dependencies, ecological concerns, and socio-cultural integration. To realize the full benefits of IKN, a collaborative approach involving public and private stakeholders is essential. This research provides a foundation for further studies and policy frameworks to ensure the success and sustainability of Indonesia's new capital city.

## **LIMITATION**

The limitation of this research is the use of secondary data which allows for bias from the data sources used and the generalization of findings may not be accurate due to not collecting data directly from MSME actors. In addition, this research also does not distinguish each MSME sector in more detail even though each sector faces different challenges. Therefore, future research can use primary data collected or obtained directly from MSME actors either through surveys or in-depth interviews and divide MSMEs more specifically by sector to explore and analyze more deeply the dynamics of MSME actors in the digitalization era in an effort to improve and sustain the people's economy so that more comprehensive research results will be obtained.

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