

Balanced Residential Conversion Fund in Achieving Justice and Prosperity

Original Article

Ignatius Pradipa Probondaru^{1*}, Dyah Setyorini², Endang Pandamdari³

¹⁻³Faculty of Law, Universitas Trisakti, West Jakarta, Indonesia

Email: ¹⁾ ignatius@trisakti.ac.id, ²⁾ dyah.s@trisakti.ac.id, ³⁾ endang.p@trisakti.ac.id

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Abstract

The need for decent and affordable housing in Indonesia is becoming increasingly urgent alongside population growth and urbanization, but is hindered by high property prices and income inequality. This study aims to describe how Balanced Residential conversion funds contribute to achieving justice and welfare. This research uses a normative juridical method to analyze the Balanced Residential Conversion Fund policy as a solution to housing provision imbalances. The research focuses on implementation issues of Balanced Residential, including land price constraints, lack of developer incentives, and unclear fund conversion mechanisms. The results show that the Balanced Residential Conversion Fund policy, regulated through Government Regulations and managed by BP3, provides flexibility for developers while ensuring housing availability for low-income communities. However, three main challenges are identified: (1) absence of clear standards in calculating conversion fund amounts, (2) weak supervision of fund allocation, and (3) inaccurate mapping of housing needs. The research concludes that this policy has the potential to achieve social justice if improved through: (1) establishing transparent formulas for calculating conversion funds, (2) strengthening fund management and accountability systems, and (3) data-based mapping to ensure strategic locations for subsidized housing. With these improvements, Balanced Residential Conversion Funds can become an effective instrument in reducing housing backlog and creating social balance.

Keywords: Balanced Residential, Conversion Fund, Housing Policy, Social Justice.

1. Introduction

Land located within the territory of the Republic of Indonesia holds a position as one of the most important natural resources. Besides containing high spiritual value for Indonesian society, land also plays a strategic role in supporting the fulfillment of the nation's and people's continuously developing needs, both in national context and in global interactions. Although in practice land can be bought and sold, Indonesian society's view of land differs from the concept in Western capitalist systems. For Indonesian society, land is not merely viewed as a commodity or investment object (Mahendra & Yustiawan, 2023). This view is reflected in the behavior of business actors who do not make land an instrument of economic speculation. More than that, land is viewed as a gift from Almighty God to the Indonesian nation. It becomes the main source of life that plays an important role in ensuring the survival of society, as well as a means to achieve fair and equitable prosperity for the people (Harsono, 2007).

A house is a basic human need that not only functions as a place to live, but also has social, cultural, and economic value. The role of housing in human life reflects the importance of fulfilling physical needs while supporting the development of community life. The Indonesian Constitution through Article 28H paragraph (1) of the 1945 Constitution of the Republic of Indonesia affirms that every citizen has the right to live prosperously both



physically and spiritually, to have a place to live, and to obtain a healthy and decent living environment. This mandate contains the meaning that the state is obligated to guarantee the fulfillment of these rights through the provision of decent, affordable, safe, harmonious, and sustainable housing and residential areas throughout the country. As a form of state responsibility in providing housing, Law Number 1 of 2011 on Housing and Residential Areas was issued and promulgated on January 12, 2011. In the preamble of this law, it is emphasized that housing plays an important role in shaping the character and identity of the nation. Along with the increasing need for housing every year, the government also enacted Law Number 20 of 2011 on Apartments as an alternative provision of efficient and sustainable housing, to address the challenges of land limitations and rapid population growth.

The Central Bureau of Statistics recorded Indonesia's population at 282,447,584 people. This population surge is directly proportional to the continuously increasing housing needs. Every individual, whether born and raised in urban areas or migrating from villages, needs decent housing. This condition creates its own challenge for the government in providing adequate housing for all citizens (Ulya & Rastika, 2024). Responding to the challenge of providing decent housing for all Indonesian people, the Ministry of Public Works and Public Housing states that housing needs in Indonesia reach 9.9 million units. This fantastic figure shows the high demand from society for decent and affordable housing (Rakasyiwi et al., 2022). This need is driven by various factors, from population growth, urbanization, to increasing public awareness of the importance of owning a private home. To meet these needs, systematic and sustainable efforts are required to increase housing supply throughout Indonesia (Napitupulu, 2024).

Amid the high demand for housing, society faces the reality of continuously soaring house prices. House price growth in June 2024 remained relatively high, especially in major cities. Based on Bank Indonesia's Residential Property Price Survey, house price growth for small types was 1.86%, medium types 2.07%, and large types 1.13%. These figures are lower compared to before the pandemic, where growth for small houses reached 4.41%, medium types 2.45%, and large types 1.42%. Despite slowing down, house prices remain high, especially in major cities like Medan, Surabaya, and Batam. In Medan, the average house price equals 23.5 times the average annual income. Other cities like Jabodetabek, Makassar, Denpasar, Semarang, Bandung, and Malang also experience similar situations. High house price growth will have a very significant impact on society's ability to own homes (Indraswari, 2024). These high house prices significantly impact the gap between house prices and community income, making it difficult for people to own homes.

The gap between house prices and community income in Indonesia has created a divide for many families in realizing their dream of owning housing. Taking Medan as an example, a person must save their entire income for 23.5 years just to buy a house! This house price-to-income ratio of 23.5 times is far above the ideal recommended limit of 3-4 times. Similar conditions also occur in major Indonesian cities, in Surabaya house prices reach 21.33 times annual salary, followed by Batam (20.94 times salary) and Makassar (19.78 times salary). Jakarta itself is in fifth position with house prices equivalent to 19.76 times annual income. This means that to buy a house in these major cities, it takes a very long time, even up to decades (Puspita, 2024). This gap widens further when developers tend to focus on building houses for the middle to upper segments.

Housing developers are reluctant to build many cheap houses due to high land prices, increasing construction costs, and suboptimal financing policies. This condition impacts the minimal supply of cheap houses in the market, while demand from low-income communities is very high. As a result, imbalance occurs that leads to high housing backlog numbers. Based

on Ministry of PUPR data, housing backlog in 2023 reached 12.7 million housing units (Indraswari, 2024). This fantastic figure shows the urgency to find concrete solutions in providing decent and affordable housing for all levels of society.

Housing development should consider the existence of three community groups based on income levels, namely high-income, middle-income, and low-income groups. Each of these groups has different housing needs according to their financial capabilities. Therefore, it is necessary to provide various types of housing that include luxury houses for high-income groups, medium houses for middle groups, and simple houses for low-income communities. These income differences, if not managed wisely, have the potential to create social gaps in residential areas. To reduce this potential, the government developed a housing provision policy through the Balanced Residential concept, which aims to create social harmony in residential environments.

The Balanced Residential concept requires developers to build all three types of luxury, medium, and simple houses in one area, according to the composition determined by the government. However, in its development, especially after the enactment of the Job Creation Law, this policy has undergone changes. Now, developers are no longer required to build simple houses in the same area, and are even allowed not to build them directly. Instead, developers can deposit conversion funds to the Housing Acceleration Agency.

Kurniawan & Saly (2023) state that after the enactment of the Job Creation Law, developers are given the option to fulfill Balanced Residential obligations through conversion fund mechanisms. However, the implementation of this policy has not been supported by transparent and accountable fund management systems, creating potential for unequal benefit distribution. The social psychology perspective offered by Hanurawan (2015) emphasizes the importance of community welfare dimensions in housing policy, an approach that has not been the focus in conversion fund management policy so far.

Furthermore, research by Sudarma et al. (2024) related to land conversion indicates that changes in land function significantly impact community welfare, especially vulnerable groups. This finding strengthens the urgency to evaluate conversion fund policy from the aspect of its impact on social redistribution and access to decent housing. Harry & Jannani (2020) study on land justice in the context of agricultural land conversion shows spatial inequality that can occur due to weak supervision and uneven distribution - a phenomenon that can also occur in the Balanced Residential context. On the other hand, Puansah et al. (2024) examines village fund policy implementation from a social justice perspective, providing theoretical foundations for assessing whether housing conversion funds can contribute to inclusive development goals.

Meanwhile, international studies conducted by Park & Kim (2021), Kato & Hiroi (2021), and Park et al. (2022) present conceptual frameworks related to distributive justice and fair resource allocation models, which can be adapted to assess the benefit distribution mechanism from conversion fund policies. Additionally, research by Mashiat et al. (2022) emphasizes the importance of integrating group justice metrics in resource allocation policies, including housing, to minimize structural inequality. Based on this literature review, a research gap can be identified in the form of lack of empirical and normative studies that explicitly assess the effectiveness of Balanced Residential conversion funds in supporting social justice realization and community welfare improvement. Hence, this paper aims to describe how Balanced Residential conversion funds contribute to achieving justice and welfare.

2. Methods

This research uses a normative juridical method, which is an approach that emphasizes analysis of legal norms contained in laws and regulations, legal doctrines, and relevant court decisions. This method was chosen because it is suitable for conceptually and systematically examining the legal basis, principles, and implementation of the Balanced Residential Conversion Fund policy as part of housing provision in achieving social justice.

In its application, this research adopts three approaches. First, the statute approach is used to analyze related regulations, including Law Number 1 of 2011, Government Regulation Number 12 of 2021, and Presidential Regulation Number 9 of 2021. Second, the conceptual approach is used to examine the concept of the right to decent housing within the framework of the welfare state and human rights. Third, the case approach is utilized to examine policy implementation in the field, including court decisions related to violations of Balanced Residential obligations.

Data sources in this research are entirely secondary data consisting of primary legal materials (laws and regulations), secondary legal materials (doctrines, scientific journals, previous research results), and tertiary legal materials (legal dictionaries and encyclopedias). Data collection was conducted through literature study and analyzed qualitatively with a descriptive-analytical approach, namely interpreting legal norms and assessing their compatibility with justice principles and implementation effectiveness. Conclusions were drawn deductively, by deriving answers to specific legal issues based on general legal principles, to assess the effectiveness of the Balanced Residential Conversion Fund policy in supporting social justice and reducing housing backlog in Indonesia.

3. Results and Discussion

3.1. Balanced Residential Regulation

Balanced Residential is housing built in a balanced manner between luxury houses, medium houses, and simple houses. During the New Order era, Joint Decree of the Minister of Home Affairs, Minister of Public Works, and State Minister for Public Housing Number 648-384 of 1992, Number 739/KPTS/1992, and Number 09/KPTS/1992 on Guidelines for Housing and Settlement Development with Balanced Residential Environment was implemented. In this Joint Decree, the ratio in Balanced Residential between luxury houses, medium houses, and simple houses was 1 (one) luxury house, 3 (three) medium houses, and 6 (six) simple houses.

This provision was changed by Regulation of the Minister of Public Housing of the Republic of Indonesia No. 10 of 2012 on Housing and Residential Area Provision to a composition ratio of 1:2:3, namely 1 (one) luxury house, 2 (two) medium houses, and 3 (three) simple houses. Article 3 of this regulation emphasizes that the purpose of Balanced Residential patterns is to guarantee the availability of luxury houses, medium houses, and simple houses for communities built in one area or not in one area for simple houses; to realize harmony among various community groups from various professions, economic levels and social status in housing, settlements, residential environments and residential areas; to realize cross-subsidies for the provision of infrastructure, facilities, and public utilities, as well as housing development financing; to create harmonious living places both socially and economically; and to utilize land use designated for housing and residential areas. Although the Balanced Residential composition ratio has decreased, the implementation of Balanced Residential is still not optimal.

Balanced Residential provisions have developed in Law No. 1 of 2011 on Housing and Residential Areas. Article 34 of this Law states that legal entities conducting housing development are obligated to realize housing with Balanced Residential. Large-scale housing development conducted by legal entities must realize Balanced Residential in one area. What is meant by large-scale housing is housing planned comprehensively and integrated with implementation carried out in stages.

Article 35 of Law No. 1 of 2011 emphasizes that large-scale housing development with Balanced Residential includes simple houses, medium houses, and luxury houses. However, Article 34 of Law No. 1 of 2011 states that the obligation to build Balanced Residential is excluded for legal entities that build housing entirely aimed at fulfilling public housing needs. Furthermore, Article 36 of Law No. 1 of 2011 regulates that if Balanced Residential development is not built in one area, public housing development must be implemented within one district/city area. This Article also regulates that Balanced Residential development is carried out by the same legal entity.

The Balanced Residential concept, which aims to create social balance through integration of various social strata in one residential environment, faces various challenges in its implementation. One of the main problems is uncontrolled land price increases due to free market mechanisms, which financially burden property developers, especially in areas with high land prices. This makes it difficult for developers to provide land for simple house construction, because land prices often approach the set house prices. Additionally, lack of government incentives creates the impression that housing provision responsibility is transferred entirely to developers, reducing their interest in participating. In fact, Balanced Residential should not only be viewed as a solution to reduce housing backlog, but also as an effort to create social harmony through coexistence among various social layers. On the other hand, the application of this concept is often uniform without considering the diversity of conditions in each region, making it less effective. The Balanced Residential concept has also not been fully accommodated in Spatial Planning, making its implementation undirected and poorly integrated. Without comprehensive evaluation of previous implementation and strong law enforcement, this policy risks not achieving its goals. As a result, Balanced Residential is considered an obstacle to developer business activities (Hermawan & Meutia, 2023).

In 2020, Law Number 11 on Job Creation changed the rules regarding Balanced Residential. However, this rule was later replaced by Government Regulation in Lieu of Law (Perppu) Number 2 of 2022, which was then enacted as Law Number 6 of 2023. In this law, it is explained that if Balanced Residential development is not carried out in the same area, public housing development must still be carried out within one district or city area. If simple houses cannot be built as landed houses or row houses, they can be replaced with public apartment construction at the same location, or can also be converted into funds for public housing development. Funds from conversion results are managed by the Housing Acceleration Agency (BP3). All development in this Balanced Residential program must be carried out by the same legal entity.

Government Regulation Number 12 of 2021, on Amendment to Government Regulation No. 14 of 2016 on Housing and Residential Area Provision, regulates Balanced Residential as part of implementing the Job Creation Law. In this regulation, it is mentioned that Balanced Residential development must be carried out by the same legal entity. However, this legal entity is allowed to cooperate with other legal entities in the development process. This PP also differentiates housing types into two, namely large-scale housing and non-large-scale housing. Large-scale housing consists of at least 3,000 housing units, while non-large-scale housing includes housing numbers between 100 to less than 3,000 units.

In building housing with Balanced Residential concepts, several things must be fulfilled, namely location, house classification, and composition. For location, if development is carried out on a large scale, houses of various types (luxury, medium, and simple) must be built in one area. However, if the development is not large, these houses can be built in one area or in different places, as long as they are still within the same district or city area. Regarding house classification, it must consist of luxury houses, medium houses, and/or simple houses. Luxury houses are houses sold at prices more than 15 times the public housing price determined by the central government. Medium houses are sold at prices 3 to 15 times the public housing price. While simple houses have sizes and prices in accordance with legal provisions.

The composition ratio of luxury houses, medium houses, and simple houses is regulated as follows: a) large-scale housing development, namely 1 luxury house compared to at least 2 medium houses, and compared to at least 3 simple houses; b) non-large-scale housing development consists of: 1 luxury house compared to at least 2 medium houses and compared to at least 3 simple houses; 1 luxury house compared to at least 3 simple houses; or 2 medium houses compared to at least 3 simple houses. At least 3 simple houses consist of subsidized simple houses and non-subsidized simple houses with ratios for: a) large urban areas, 1 subsidized simple house compared to 3 non-subsidized simple houses with percentage composition calculation of 25% subsidized simple houses compared to 75% non-subsidized simple houses; b) medium urban areas, 2 subsidized simple houses compared to 2 non-subsidized simple houses with percentage composition calculation of 50% subsidized simple houses compared to 50% non-subsidized simple houses; or c) small urban areas, 3 subsidized simple houses compared to 1 non-subsidized simple house with percentage composition calculation of 75% subsidized simple houses compared to 25% non-subsidized simple houses.

3.2. Balanced Residential Conversion Fund

In conditions where the provision of simple housing is not feasible in the form of single houses or row houses, conversion mechanisms can be implemented in two main forms: construction of public apartment buildings integrated within a specific area, or through the provision of public housing construction funds allocated to support housing provision. This conversion mechanism is designed to ensure a balance between the obligation to provide simple housing and developer capacity, so that the fulfillment of affordable simple housing needs for the community can be effectively realized.

The calculation of conversion amounts for public apartment construction is based on several critical parameters: the percentage composition of subsidized and non-subsidized simple housing in the project, the volume of simple housing obligations that must be fulfilled by construction actors, the selling price of subsidized simple housing as determined by the Central Government, and the proportion of cost of goods sold to selling price used as a reference for construction cost calculation. This comprehensive approach is expected to provide an objective and accountable basis for conversion implementation and support the sustainability of adequate and affordable housing provision.

Conversion in the form of funds can be managed funds or grants calculated based on the number of unfulfilled simple housing obligations, the selling price of simple housing set by the Central Government, the percentage of cost of goods sold to selling price to calculate fund realization value, multiplication factors based on time value of money to adjust fund value with economic changes, and management service fees used to effectively manage conversion funds. Construction actors are required to submit conversion calculations to the Housing Implementation Acceleration Agency (BP3) before the Building Permit (PBG) is issued. Conversion funds must be submitted to the Housing Implementation Acceleration Agency (BP3) before the Function Worthiness Certificate (SLF) is issued.

The Housing Implementation Acceleration Agency (BP3) was established by the Central Government through Presidential Regulation No. 9 of 2021. Based on these regulations, BP3 is an institution tasked with accelerating the provision of decent and affordable housing, especially for low-income communities. BP3 is not part of the government structure directly but functions to help accelerate housing and residential area development.

BP3 has the main task of implementing housing provision acceleration with a focus on conversion fund management. In accordance with applicable provisions, BP3's organizational structure consists of an Advisory Board, Executive Board, and Supervisory Board. The Advisory Board serves as an advisory element providing strategic direction in housing provision acceleration. The Executive Board is responsible for managing Conversion Funds and constructing simple housing and public apartments. Meanwhile, the Supervisory Board has the task of supervising housing provision acceleration implementation, including supervision of the acquisition and utilization of Balanced Residential Conversion Funds managed by BP3.

In carrying out its duties, BP3 collaborates with regional governments through coordinative relationships and information sharing. This cooperation includes collecting data on housing development and Balanced Residential obligation implementation, adjusting mechanisms for Conversion Fund submission from developers to BP3, supervising Balanced Residential policies, providing public housing, and managing land and public housing buildings that are regional assets according to applicable legal regulations.

The Housing Implementation Acceleration Agency (BP3) was established through Presidential Regulation No. 9 of 2021 as a non-structural institution aimed at accelerating housing and settlement area provision, especially for Low-Income Communities (MBR). One of BP3's main funding sources is the Balanced Residential Conversion Fund, which comes from developer contributions as an alternative to fulfilling simple housing construction obligations in the Balanced Residential scheme. These funds are used for various purposes, including land provision, simple housing and apartment construction, public facility and infrastructure development, and investment activities.

In the regulatory context, Government Regulation in Lieu of Law No. 2 of 2022 concerning Job Creation provides solutions to Balanced Residential problems that have occurred so far. With fund conversion, construction actors are given convenience without eliminating the essence of Balanced Residential itself. This regulatory arrangement step can be an effective solution, where land limitations can be addressed with fund conversion managed by the government through BP3 (Hermawan & Meutia, 2023).

Further, research by Maharani (2017) highlights that housing development with Balanced Residential for fulfilling public housing needs for MBR requires clear regulation and consistent implementation. In this case, BP3 plays an important role in managing conversion funds and ensuring that housing development runs according to applicable provisions, so it can effectively meet housing needs for MBR. Thus, BP3 plays a strategic role in supporting national housing development programs, especially for MBR, through effective fund management in accordance with applicable regulations. BP3's existence is expected to accelerate the provision of decent and affordable housing and improve the quality of settlement areas in Indonesia.

3.3. Justice in the Prosperity State

Justice as the moral and ethical foundation in social and state life becomes an important foundation for realizing a welfare state. A welfare state, which aspires to protect and improve the welfare of all its citizens, requires a deep understanding of the concept of justice so that its policies are targeted and effective. Justice, in its essence, is a principle of equality, balance,

and fairness. The definition of "just" according to KBBI (Indonesian Dictionary), namely "equal weight; not biased; not taking sides," reflects the ideal that every individual should be treated equally before the law and in access to resources. However, justice is not a singular concept; it has various dimensions and interpretations, as proposed by legal philosophers.

Justice is not a singular concept; it has various dimensions that can be interpreted differently. Aristotle, for example, defines justice as obedience to law and moral norms in social interaction. He distinguishes between distributive justice, which focuses on the distribution of goods and services according to individual positions in society, and corrective justice, which aims to correct injustices in inter-individual relationships. Aristotle's contribution to legal philosophy lies in this separation, which becomes the basis for many theoretical discussions about justice.

John Rawls, with the concept of "justice as fairness," emphasizes the importance of fair processes in producing substantive justice. Rawls argues that principles of justice must be agreed upon under conditions of "veil of ignorance," where individuals do not know their social position or natural advantages. From this condition, John Rawls proposes two basic principles for realizing justice as fairness. First, the principle of equal liberty, which guarantees everyone has the same basic rights, including freedom of speech, religion, and political rights. This principle becomes the foundation for every individual's civil and political rights. Second, the difference principle, which allows social-economic gaps only if such inequality benefits the least advantaged groups. According to Rawls, economic injustice can be justified if it truly improves the welfare of marginalized communities, so no one is harmed just for the benefit of a few people. Thus, justice must prioritize those who need it most (Christian et al., 2025).

Reinhold Zippelius highlights various forms of justice. He defines justice through five main aspects. First, *justitia commutativa* (reciprocal justice), which applies in contractual transactions and rights restoration, such as compensation for loss victims. Second, *justitia distributiva* (distributive justice), related to civil law, property, and inheritance, emphasizing principles of property damage replacement and fair rights distribution. Third, *strafgerechtigkeit* (criminal justice), based on the principle of *nulla poena sine lege praevia*, determining punishment according to applicable law. Fourth, *verfahrensgerechtigkeit* (procedural justice), ensuring equality of litigating parties and judicial impartiality, reflecting progress from medieval systems. Fifth, *verfassungsgerechtigkeit* (constitutional justice), regulating state office requirements through democratic mechanisms like elections. Zippelius's theory emphasizes justice as a universal principle, regardless of socio-economic background, such as the example of replacing damaged goods in stores. This concept also includes social justice (public good), according to Lloyd's view about the greatest happiness for the greatest number of people. This variety of justice forms shows that justice must be realized in every aspect of state life (Abrori, 2024).

Justice is one of the fundamental elements in a welfare state because social injustice can have implications for economic and social inequality that increasingly worsens community welfare. In the context of a legal state like Indonesia, the principle of justice becomes the basis for government administration and national development. One important aspect in realizing social welfare is fulfilling housing needs for all citizens. The right to adequate housing is part of human rights guaranteed by the constitution, as regulated in Article 28H paragraph (1) of the 1945 Constitution of the Republic of Indonesia, which states that everyone has the right to live prosperously physically and spiritually, to reside, and to obtain a good and healthy living environment.

However, in practice, fulfilling housing needs in Indonesia still faces quite complex challenges. One of the main problems faced is the high housing backlog, which is the gap

between the number of available houses and community housing needs. Data shows that until now, millions of families in Indonesia still do not have access to adequate housing, either due to economic limitations or land limitations in urban areas.

As a response to this problem, the government has implemented a Balanced Residential policy as an effort to increase community access to adequate and affordable housing. This policy regulates that housing developers are required to provide housing composition with certain ratios between luxury houses, middle-class houses, and simple houses in one development area. With this policy, it is hoped that there will be equitable access to housing for various layers of society. However, in its implementation, the Balanced Residential policy faces several obstacles, one of which is the high price of land in urban areas. Increasingly expensive land costs cause many developers to experience difficulties in fulfilling their obligations to build simple houses in the Balanced Residential scheme. To overcome this obstacle, the government offers an alternative in the form of a Balanced Residential conversion fund mechanism, which allows developers to replace their obligation to build simple houses with financial contributions in the form of conversion funds.

The Balanced Residential conversion fund is a policy scheme that provides flexibility to developers in fulfilling Balanced Residential obligations. Instead of building simple houses at the same location as middle-class and luxury housing, developers can deposit a certain amount of funds to the government, which will then be used to build housing for low-income communities (MBR) at other locations. This scheme is expected to provide solutions to land limitation problems in urban areas while still ensuring housing availability for those who need it. From a social justice perspective, the Balanced Residential conversion fund mechanism can be viewed as a resource redistribution instrument. With conversion funds, developers who profit from commercial housing development are required to contribute to housing development for low-income communities. This aligns with welfare state principles, where the government has the obligation to guarantee access to basic needs for all citizens, including adequate housing.

In addition, the implementation of Balanced Residential conversion funds also has implications for housing development sustainability. With accumulated funds, the government can be more flexible in determining subsidy housing construction locations that suit needs and land availability. This model also enables the development of new areas that are more planned and integrated, thus reducing pressure on land in already dense urban areas.

Although the Balanced Residential conversion fund policy has great potential in addressing housing backlogs for low-income communities (MBR), its implementation still faces several significant obstacles. One of the main problems is regulatory ambiguity, particularly regarding the amount of conversion funds that must be deposited by developers. Until now, there is no standard formulation or firm formula for calculating conversion values, which ultimately causes different interpretations and potential inequality in field implementation (Maharani, 2017). This uncertainty risks causing deposited funds to be disproportionate to the cost of simple housing construction that should be, thus weakening the effectiveness of the policy's purpose in providing adequate housing.

Moreover, the conversion fund management mechanism has not been regulated in detail and transparently. There are still gaps in supervision and fund allocation that could impact misuse or inappropriate target utilization. In this case, Hermawan & Meutia (2023) emphasizes the importance of follow-up regulations that ensure conversion fund use is truly directed toward MBR housing construction and not become non-functional additional income for regional governments. Without transparency and accountability in fund management, this

policy risks becoming merely an administrative solution without real impact on housing provision.

Furthermore, other challenges arise in the context of housing needs planning and mapping. Often, housing construction funded by conversion funds is carried out in locations far from economic centers and public services, so it does not address the real needs of low-income urban communities. Research conducted by Rofiq and Nanda (2022) shows that mismatches between construction locations and needs distribution cause ineffectiveness of Balanced Residential programs in reaching target groups. Therefore, data-based needs mapping becomes crucial to ensure that conversion funds are truly allocated to areas that need them and are appropriate to the spatial and socio-economic context of the community.

Finally, these challenges show the urgency of more detailed technical regulations to support Balanced Residential conversion fund implementation. The absence of concrete implementation guidelines causes various interpretations and inconsistencies in local-level implementation. In his study, Hermawan & Meutia (2023) also highlights the need for policy updates in the form of technical implementation guidelines so that field implementation does not experience administrative bias or sectoral interests. Thus, the effectiveness of this policy greatly depends on legal certainty, data accuracy, and integrity of management and implementation at various government levels. One of the main objectives of the Balanced Residential policy is to ensure that low-income communities still have access to housing in urban areas. However, if conversion funds are used to build housing in locations too far from economic centers and public services, then this policy can lose its essence. Therefore, data-based housing needs mapping becomes a key factor in the effectiveness of Balanced Residential conversion fund implementation.

4. Conclusion

The balanced housing conversion fund is one policy instrument that can support the realization of social justice and welfare in the housing sector. This scheme provides solutions for developers in facing land constraints in urban areas while still ensuring housing availability for low-income communities. However, for this policy to run optimally, several improvements are needed in regulations and implementation mechanisms.

First, the government needs to immediately establish more transparent and proportional conversion fund calculation standards. This is important to ensure that the amount of funds deposited by developers is truly comparable to the cost of simple housing construction they should build. Second, stricter fund management and supervision mechanisms are needed. The government must ensure that conversion funds are truly allocated for housing construction for low-income communities and are carried out with principles of transparency and accountability. Third, housing needs mapping needs to be strengthened so that housing construction for low-income communities remains appropriate to strategic locations close to economic centers and public services.

With better regulatory improvements and implementation systems, balanced housing conversion funds can become an effective instrument in addressing housing backlogs, strengthening social justice principles, and realizing welfare for all Indonesian citizens.

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