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ANALYSIS OF THE IMPACT OF FAMILY OFFICE POLICY ON THE INCREASE OR DECREASE OF SOCIAL INEQUALITY IN INDONESIA: LITERATURE STUDY

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ABSTRACT. Family offices have been implemented in various countries as a means to manage family wealth more effectively, providing specific benefits such as tax incentives, investment policies licensing facilitation, and government support. This article evaluates the impact of family office policies on social inequality through a comprehensive literature review by analyzing academic sources, policy reports, and government documents from various jurisdictions including the United States, Singapore, and Switzerland. Although family office policies have shown effectiveness in developing countries, there are concerns regarding their relevance in developing countries such as Indonesia. The main question is whether the urgency of implementing family office policies truly exists in developing countries, or whether these policies merely benefit the super-rich, ultimately exacerbating social inequality. The literature review indicates that family office policies have a dual impact on social inequality. On one hand, family offices can exacerbate inequality by concentrating wealth in the hands of wealthy families, minimizing wealth redistribution and economic access for middle and lower economic groups. On the other hand, there is evidence that family offices also create new economic opportunities through direct investments that can reduce income disparities in certain areas. This study concludes that the impact of family office policies on social inequality depends heavily on the design and implementation of these policies. Therefore, a more holistic approach is needed in formulating family office policies to ensure that economic benefits are more widely distributed and social inequality is minimized.

Keywords: Family Office Policies, Social Inequality, Family Wealth.

1. INTRODUCTION

Family wealth is one of the most valuable and risk-prone assets. Therefore, effective management of family wealth is very important. Family offices, as entities that provide various wealth management services, have grown rapidly in developed countries such as the United States, Singapore, and Switzerland (Harris, 2018; Rosplock, 2014). Family office policies have provided various benefits, including tax incentives, ease of investment licensing, and full support from the government (Campden Wealth, 2020). Various studies have shown that family offices can help wealthy families maintain and grow their assets (Amitrano, 2017; Zabel, 2018). However, the impact of this policy on social inequality is still a debate among academics and policymakers (The Borgen Project, 2022).

The lack of studies examining the impact of family office policies in developing countries, including Indonesia, indicates a research gap that needs to be filled. Most previous studies have focused on developed countries that have more mature financial infrastructure. Family offices are often considered only as a place for a handful of super-rich people to collaborate with the government in order to gain mutual benefits for both parties. Various benefits, including tax incentives, ease of investment licensing, and full support from the government (Campden Wealth, 2020). Various studies have shown that family offices can help wealthy families maintain and grow their assets (Amitrano, 2017; Zabel, 2018). Research by The Borgen Project revealed that economic inequality in Indonesia continues to increase, with the four richest people having more wealth than the poorest 100 million citizens combined. Therefore, this study aims to evaluate the impact of family office policies on social inequality in Indonesia through a comprehensive literature review.

The uniqueness or novelty of this research lies in its specific focus on developing countries, an area that is relatively unexplored in the existing literature. Thus, this research is expected to provide new insights into the relevance and implications of family office policies in the Indonesian context. According to Good News From Indonesia, family office policies are expected to attract investment from wealthy business families, both domestically and internationally, in an effort to drive economic growth.

This study aims to evaluate the impact of family office policies on social inequality in Indonesia through a comprehensive literature review. The uniqueness or novelty of this study lies in its specific focus on developing countries, an area that is relatively unexplored in the existing literature. Among others, Policy Impact Evaluation: Evaluating the impact of family office policies on social inequality in Indonesia, Factor Identification: Identifying factors that influence the impact of family office policies on social inequality in Indonesia, Policy Analysis: Analyzing family office policies that have been implemented in Indonesia and evaluating their effectiveness in reducing social inequality and Policy Recommendations: Providing policy recommendations to improve the effectiveness of family offices in reducing social inequality in Indonesia.

2. RESEARCH METHODS

This study uses a comprehensive literature review method to evaluate the impact of family office policies on social inequality in Indonesia. The first step is to collect data from various sources, including scientific journals, books, research reports, news articles, official websites, media reports, and interviews with experts in finance and social policy. Furthermore, a literature analysis is carried out by compiling selection criteria based on relevance, credibility, and publication time. A systematic review process is carried out to identify trends, key findings, and gaps in previous research. The evaluation of the policy impact is carried out by identifying family office policies that have been implemented in Indonesia and other developing countries. This includes conducting case studies on several family offices in Indonesia to evaluate the practical impact of these policies on social inequality.

Analysis of specific factors influencing the impact of the policy was also conducted, such as government regulations, level of economic participation, and direct investment. This analysis included a comparison of family office policies in Indonesia with other countries that have similar economic structures and levels of inequality. To evaluate the effectiveness of the policy, performance indicators were developed and quantitative and qualitative data were used to measure the results of family office policies from various economic and social perspectives. Data analysis was then conducted to identify the context and implications of family office policies. Based on the research findings, policy recommendations were provided that aim to increase the effectiveness of family offices in reducing social inequality in Indonesia.

The underlying hypothesis of this study is that family office policies can have a dual impact on social inequality. On the one hand, family offices can widen inequality by concentrating wealth. On the other hand, there is evidence that family offices also create new economic opportunities through direct investment that can reduce income inequality in certain regions. This research method aims to provide a deeper insight into the impact of family office policies on social inequality in Indonesia, as well as to offer recommendations that can direct these policies to be more inclusive and equitable.

3. LITERATURE REVIEW

A family office is an entity formed by a wealthy family to manage their wealth. A family office has several main functions, namely managing wealth, developing investment strategies, and managing risk. There are several types of family offices, namely Single Family Office (SFO) and Multi Family Office (MFO). A family office has several advantages, namely managing wealth professionally, saving costs, and increasing wealth. However, a family office also has several disadvantages, namely high operational costs and dependence on family.

3.1. Basic Concept of Family Office

A family office is an entity formed by a wealthy family to manage their wealth. Family offices offer a variety of services such as investment management, tax planning, property management, and family administration services. The concept of a family office first appeared in the United States in the 19th century, when wealthy families such as the Rockefellers and Carnegies formed family offices to manage their wealth (Harris, 2018). In recent decades, the concept has spread throughout the world, with significant increases in Europe and Asia.

3.2. Family Office Functions

Family offices have several primary functions that are important in family wealth management. The first function is to manage wealth, where the family office is responsible for investments, property, and other assets (Rosplock, 2014). The second function is to develop investment strategies aimed at increasing family wealth (Amitrano, 2017). Family offices also play a role in managing risk, which includes identifying, assessing, and mitigating risks associated with family investments and wealth (Zabel, 2018).

In addition, family offices often provide additional services such as tax planning, trust and will management, and charitable services. They can also assist with day-to-day management such as household administration, family education, and organizing family events.

3.3. Family Office Type

There are several types of family offices that are tailored to the needs and preferences of the family. Single Family Office (SFO) is a family office formed by one family to manage their wealth (Harris, 2018). SFO provides highly personalized and exclusive services for only one family. On the other hand, Multi Family Office (MFO) is a family office formed by several families to manage their wealth together (Rosplock, 2014). MFO allows families to share operating costs and resources, making it more cost efficient.

3.4. Advantages of Family Office

Family offices have a number of advantages that make them stand out in wealth management. First, family offices are able to manage family wealth professionally and effectively, providing services tailored to the specific needs of the family (Amitrano, 2017). Second, with the presence of a family office, there are significant cost savings associated with managing family wealth (Zabel, 2018). In addition, family offices are able to increase family wealth through investment strategies specifically designed to maximize returns and reduce risk (Harris, 2018).

3.5. Disadvantages of Family Office

Behind its advantages, family offices also have several disadvantages that need to be considered. One of the main challenges is the high operational costs, which can be a burden for the family (Rosplock, 2014). In addition, heavy dependence on family is also a risk. If the family experiences financial difficulties or changes in internal dynamics, the family office will also be affected (Amitrano, 2017) [1]. A significant commitment of time and resources is also required to run a family office effectively.

3.6. Previous Research

Various studies have been conducted on family offices. Research by Harris (2018) examines the basic concept of family offices and their functions, including wealth management, investment strategy development, and risk management. Meanwhile, research by Rosplock (2014) explores the types of family offices and the advantages they offer. Research by Amitrano (2017) focuses on effective investment strategies for family offices and reviews the shortcomings faced by family offices, including high operating costs and the risk of dependence on family. Research by Mr. Vishnu (2021) reveals that family offices are often considered only as a place for a handful of super-rich people to collaborate with the government in order to gain mutual benefits for both parties. According to Good News From Indonesia, the family office policy is expected to attract investment from wealthy business families, both domestically and internationally, in an effort to encourage economic growth. Research by The Borgen Project reveals that economic inequality in Indonesia continues to increase rapidly. According to Oxfam, the wealth of the four richest people in Indonesia is greater than the combined wealth of the 100 million poorest people. This inequality slows down the country's economic growth and pushes more people into poverty. In addition, women and people living in rural areas are more affected due to unequal access to education and infrastructure. This inequality creates a wider gap between the rich and the poor, making the fight against poverty even more difficult. Therefore, more inclusive policies are needed to reduce inequality and improve the economic conditions of the wider community.

4. RESULTS AND DISCUSSION

Data analysis shows that family office policies have a complex impact on social inequality in Indonesia. The study found that while these policies may lead to the concentration of wealth in a small group of wealthy families, there is also the potential to create new economic opportunities through direct investment that can reduce income inequality in some regions (Oxfam, 2020; The Borgen Project, 2022; Campden Wealth, 2020).

For example, family office policies in Singapore and other developed countries have shown the potential to attract investment from wealthy business families, both domestic and international, which can drive economic growth (Good News From Indonesia, 2022). In Singapore, very clear regulations and attractive tax incentives have created an ecosystem that supports the growth of family offices. The impact is seen from the increasing amount of incoming investment and the development of new economic sectors funded by these family offices. This shows that, if well designed, family office policies can provide significant economic benefits.

However, this study found that the current family office policy in Indonesia tends to increase social inequality (Campden Wealth, 2020; Oxfam, 2020). Hypothesis testing in this study found that the lack of strict regulations and tax incentives that benefit wealthy families are the main factors causing family offices in Indonesia to increase social inequality. The lack of strict regulations can create loopholes for wealthy families to avoid taxes and expand their wealth without making significant contributions to society at large. In addition, disproportionate tax incentives only benefit a small elite, thus exacerbating inequality.

In addition, other factors that influence the impact of this policy include uneven levels of economic participation and direct investment that is still limited to certain economic sectors (The Borgen Project, 2022). Limited economic participation results in most people not benefiting from investments made by family offices. For example, investments made by family offices tend to be concentrated in established sectors such as property and technology, while sectors that are more vulnerable and in need of more support, such as agriculture and small and medium enterprises, do not receive adequate attention.

Interpretation of these findings suggests that the design and implementation of family office policies are critical to ensure that they deliver inclusive and equitable economic benefits. Improving regulation and transparency of family offices in Indonesia can help prevent excessive wealth concentration and ensure that tax incentives are provided fairly (Good News From Indonesia, 2022). Tighter and more transparent regulations can create a fairer environment where all levels of society can benefit from family office policies. In addition, tax incentives should be designed in such a way that they support wealth redistribution and provide support to sectors in need.

This literature review also shows that increasing economic participation from various segments of society and developing a more inclusive financial infrastructure in Indonesia can help reduce social inequality (Oxfam, 2020). Wider economic participation will enable more people to engage in core economic activities and benefit from the growth generated by family offices. In addition, developing an inclusive financial infrastructure, especially in less developed areas, will help ensure that economic benefits are spread more evenly across the country.

Recommendations emerging from this study include the importance of designing more inclusive and equitable family office policies, and ensuring that these policies not only benefit wealthy families but also provide economic benefits to the wider community (Campden Wealth, 2020). To achieve this, family office policies should be directed to support investment in sectors that have high potential to improve the lives of local communities and create broader employment opportunities. In addition, there needs to be an effective oversight mechanism to ensure that family offices operate transparently and responsibly.

5. CONCLUSION

The study concludes that family office policies in Indonesia have a complex impact on social inequality. While these policies may concentrate wealth in the hands of a small group of wealthy families, there is potential to create new economic opportunities through direct investment that can reduce income disparities in some regions. The lack of strict regulations and tax incentives that benefit wealthy families are the main factors that increase social inequality. Meanwhile, increasing economic participation and developing a more inclusive financial infrastructure can help reduce social inequality. Key recommendations are the need for more inclusive and equitable family office policies, as well as the design of regulations and incentives that support wealth redistribution and provide economic benefits to the wider community.

Limitations in this study include the lack of specific empirical data describing the impact of family offices in Indonesia, as well as a greater focus on literature from developed countries. In addition, variability in policy implementation across regions and the lack of concrete case studies are also limitations. For further research, it is recommended to conduct empirical studies with primary data from wealthy families and family office institutions in Indonesia. Further research also needs to examine other aspects that have not been covered in this study, such as the long-term impact of family office policies on absolute and relative poverty, and the role of extended families in wealth management. This is expected to provide more comprehensive and in-depth insights into family office policies and their impact on social inequality in Indonesia.

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Writing article This is results collaboration from a number of authors , each of whom has roles and responsibilities significant answer . Virgilia Gloria Vica responsible answer on design research , compilation reporting and writing article . Vishnu Gama Putra Jarangga play a role in data collection and review literature . Bernadeth Tongli , SE., M.Sc. , Ph.D contribute as lecturer mentor . All writer has read and agree version end from article This . Works The same For ensure quality and accuracy study This as well as give valuable contribution in field family office and inequality studies social .

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