

ECONOMIC ANALYSIS OF LAND SPECULATION AND ITS IMPACT ON LAND VALUE INFLATION: THE ROLE OF ILLEGAL ACTORS IN LAND RIGHTS TRANSFER MANIPULATION

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Abstract

Land speculation is one of the economic activities that has the potential to cause significant land value inflation. This activity not only disrupts the balance of the land market but also has negative socio-economic impacts on society and development. In this context, the role of illegal actors becomes crucial as they often manipulate the land rights transfer process through illegal means, such as document forgery and illicit transactions, which contribute to artificial increases in land prices. This study employs a literature review. The analysis results indicate that land rights manipulation by illegal actors exacerbates inequality in land ownership and increases price instability in the land market. Therefore, strict policy interventions and effective oversight are necessary to prevent harmful speculative activities and protect the rights of communities to land. **Keywords:** land speculation, land value inflation, manipulation of land transfer rights, illegal actors, economic impact, land policy

Introduction

Land is one of the most important assets in the economic and social development of a country. In Indonesia, land not only serves as a source of livelihood and shelter but also as a commodity with significant economic value. With the increasing demand for land, particularly in urban areas and strategic regions, land has become an attractive investment object (Tan, 2023) . However, the widespread phenomenon of land speculation has led to various serious issues, including the inflation of land values and distortions in the overall land market. This land speculation has the potential to cause imbalances in land distribution and hinder sustainable development (Wijaya & Hidayat, 2022) .

Land speculation is the act of purchasing land solely for the purpose of profiting from future price increases without actually utilising the land. This activity causes land prices to rise in a manner that does not reflect the fundamental value or actual use value of the land (Haven & Khrennikov, 2022) . In conditions of high speculation, land prices can experience sharp inflation, creating a price bubble, a condition in which asset prices float far above their intrinsic value. This inflation of land values not only harms investors

and land buyers in the long term, but also disrupts regional economic stability and triggers social inequality (Christophers, 2021).

The impact of land value inflation due to speculation is not only felt economically, but also socially and environmentally. Significant increases in land prices make it difficult for poor people to access land ownership and housing, thereby potentially widening social inequality. Additionally, the emergence of land speculators who engage in transactions solely for profit often results in delays in the productive use of land and the development of quality public infrastructure (Lawry et al., 2021). Therefore, the phenomenon of land speculation has become a critical concern for governments, academics, and the property industry to seek effective and sustainable solutions.

In the context of speculation and land value inflation, the role of illegal actors is one of the factors exacerbating the situation. Illegal actors often manipulate the process of land rights transfer through various modus operandi that are detrimental to the community and the state. Practices such as document forgery, certificate fraud, exploitation of legal loopholes, and collusion with corrupt officials are part of complex land rights manipulation. The presence of these illegal actors creates legal uncertainty, which ultimately exacerbates land value inflation and disrupts the system of legitimate land ownership. (Yap, 2023).

Manipulation of land rights transfers by illegal actors not only causes material losses to the original landowners, but also has a widespread impact on the integrity of the national land system. Land rights transfers that do not comply with legal provisions open up opportunities for speculators to acquire land at below market value or even illegally (Lee, 2020). This disrupts spatial planning and leads to complex administrative chaos in land management. Thus, the role of illegal actors is significant in reinforcing speculation mechanisms and inflating land values through non-transparent and illegal means.

This situation calls for an in-depth study of the economic dynamics behind land speculation and the role of illegal actors in manipulating land rights transfers. This study is important to unravel the link between speculation and unreasonable land price increases, as well as to identify how illegal manipulation practices exacerbate existing socioeconomic risks.

Research Method

The research method used in this study is a literature review, which aims to collect, examine, and analyse various relevant literature sources related to land speculation, land value inflation, and the role of illegal actors in the manipulation of land rights transfers. The sources analysed include books, scientific journals, land law regulations, case study reports, and official documents discussing the economic, legal, and social aspects of the phenomenon (Eliyah & Aslan, 2025). With this approach, the research will conduct a descriptive and critical analysis to understand the mechanisms

of speculation and its impacts, as well as identify patterns of illegal practices in land rights transfers. The findings of this study are expected to provide a strong conceptual framework and policy recommendations based on a comprehensive evaluation of the existing literature (Green et al., 2006).

Results and Discussion

Economic Analysis of Land Speculation and Land Value Inflation

Land speculation is an economic phenomenon that is highly relevant in many developing countries, including Indonesia. In an economic context, speculation refers to the activity of purchasing land with the aim of profiting from future price increases without making any real use of the land. This activity has become a primary driver of land value bubbles, where land prices rise sharply beyond their fundamental value. This condition often leads to distortions in the land market, resulting in various negative impacts on Development (Muhammad Harmaen Pasha, 2024).

From a macroeconomic perspective, land speculation can affect the efficiency of resource allocation in the economy. When land is treated as a speculative asset, market prices do not reflect its actual utility value. As a result, productive land remains underutilised as owners wait for price increases, thereby hindering investment and sustainable economic development. This phenomenon causes economic turnover in the property sector to stagnate and fail to deliver the expected social benefits (Murti, 2021).

One of the most obvious impacts of land speculation is the emergence of vast areas of idle land. In Indonesia, the area of idle land has reached millions of hectares, which not only remains unproductive but also causes land prices in surrounding areas to surge significantly. The rise in prices, which is not proportional to the land's utilisation, makes it difficult for low-income communities to own or access land, thereby exacerbating social and economic inequality in Indonesia (Sari, 2021).

Land value inflation due to speculation is driven not only by internal factors in the land market, but also by existing regulations and policies. Unclear and weak law enforcement in the land sector allows speculators to easily exploit legal loopholes. Additionally, ineffective tax policies and incentives often fail to curb speculative activities, allowing land speculators to reap substantial profits without bearing the burdens they should (Swyngedouw, 2023).

Existing regulations have tended to focus on protecting land ownership rights, but have not been optimal in addressing the economic aspects of speculation. As an example, the implementation of progressive taxes on vacant land or idle land taxes (idle land tax) could serve as an alternative fiscal policy to reduce incentives for speculation. Such taxes encourage landowners to promptly utilise their land productively or release it into the market to avoid high ownership costs (Kusumaningrum & Maesaroh, 2023).

Empirical studies show that imposing progressive taxes on vacant land can reduce speculation by sending clear economic signals to landowners. This approach can

help reduce the amount of abandoned land and improve the efficiency of land allocation in the economy. In some regions of Indonesia, the imposition of this tax has proven effective in promoting healthier land transactions and curbing irrational price increases (Borras & Franco, 2021).

In terms of market behaviour, land speculators typically exploit asymmetric information to gain profits. They have faster and more detailed access to policies, land use plans, and investment opportunities than the general public. This encourages speculators to buy land on a large scale with the aim of gaining capital gains when land prices rise, which then accelerates market price bubbles () (Zhou & Rosyidi, 2025).

In addition, land speculation strategies often involve networks and actors who collaborate to control the land market in certain areas. These networks are able to create price consensus and arrange transactions that benefit certain parties. The existence of these speculation networks reinforces the mechanism of systematic land value inflation, which is difficult to overcome with superficial policies alone (Iskandar, 2025).

The rise in land prices triggered by speculation also has consequences for other sectors, such as increases in property prices and infrastructure development costs. This, in turn, can increase the cost of living for the community and slow down access to affordable housing. This domino effect makes land speculation a complex and multidimensional economic issue that requires an integrated policy approach (Junaedi & Pradono, 2021).

The role of the government as a regulator is crucial in controlling land speculation and price inflation. The implementation of appropriate policies and consistent law enforcement can minimise harmful speculative activities. Programmes such as land banks are one solution that can help control land distribution, thereby preventing land hoarding by speculators and promoting optimal use of available land (KCahyaningtyas, 2024).

Land banks act as land management institutions that can purchase and manage land for public interests. Through this mechanism, the government can determine fair land prices and limit the dominance of speculators. This opens up opportunities for land development at more affordable prices and improves access to land for the wider community (Batam, 2023). Additionally, strengthening transparency in land market information through digitalisation and technology utilisation is a crucial step to reduce information asymmetry. With open and integrated access to land market data, the public and stakeholders can make more rational investment decisions and avoid market manipulation by speculators (Kuswanto, 2023).

However, controlling land speculation requires synergy between various sectors, ranging from economics, law, fiscal policy, to socio-cultural aspects. Addressing speculation cannot be done partially, but must involve various elements to create a healthy, fair, and sustainable land market ecosystem.

Overall, economic analysis of land speculation shows that this phenomenon poses major challenges to economic stability, social equity, and sustainable development. The inflation of land values triggered by speculation will continue without effective control policies, whether through fiscal incentives or enforcement of regulations. Therefore, this study provides an important basis for the development of land policies that can comprehensively address land speculation and its impacts.

The Role of Illegal Actors in Manipulating Land Rights Transfers and Their Impact

Manipulation of land rights transfers by illegal actors is a serious problem that often occurs in Indonesia, causing significant losses to original landowners and damaging the national land administration system. These illegal actors are commonly known as land mafia or land brokers who exploit legal loopholes and weaknesses in the administrative system to carry out practices that harm the wider community. These practices further complicate the land ownership process and hinder fairness in land distribution across various regions (Hartono, 2023).

One of the main methods used by illegal actors is the falsification of documents such as land certificates and deeds of sale. In many cases, land mafia groups use fake notaries or land deed officials (PPAT) who collaborate to manipulate official documents. They even hire people who resemble the original owners to convince other parties during the name transfer process, making this manipulation difficult to detect quickly. (Bourassa, 2022).

Illegal actors also often take advantage of the public's lack of knowledge about land administration and legal regulations. Victims' ignorance of important documents such as certificates and land transfer mechanisms makes them vulnerable to fraud. Land mafia exploit this situation to carry out illegal land grabbing or occupation, resulting in the loss of legitimate land rights by the original owners. (Nguyen & Tran, 2024).

In the practice of land rights transfer manipulation, collaboration between land mafia and corrupt government officials is crucial. Officials from the National Land Agency (BPN), notaries, PPAT, and even village or district officials may be suspected of involvement in processes that violate regulations. This collaboration strengthens the land mafia network and increases the likelihood of systematic land manipulation and encroachment (Xie & Hu, 2022).

One real case that has been uncovered involves a land mafia that used a fake notary office to manipulate original certificates into fake ones and transfer land ownership without the knowledge of the rightful owners. In this case, the land mafia even forged identities and other related documents to pledge or sell land that was not theirs, causing significant material losses for the victims. (Wu, 2024).

Document manipulation by the land mafia does not only occur on private land, but also on state-owned land. There are allegations that certain officials have abused their authority to register state-owned land in their own names, then illegally sell or

transfer it. This practice not only violates the law but also harms the state and the public, who are entitled to the use of state-owned land for public interest. (Gomez-Baggethun & Ruiz-Perez, 2020).

The social impact of land rights manipulation is significant. Communities that lose their land rights often face socio-economic problems such as forced evictions, agrarian conflicts, and inequality in land ownership. In addition, land conflicts involving illegal actors often trigger social unrest that has a widespread impact on the stability of local communities (Lin & Zhang, 2022).

From an economic perspective, land mafia practices reinforce speculation and inflate land values. By illegally controlling the transfer of land rights, the mafia can repeatedly trade land at high prices without any real use. This leads to market imbalances and limits public access to affordable land, thereby hindering inclusive and sustainable development (Leal Filho et al., 2021).

The legal aspect has also been negatively impacted by this practice. An ideal land administration system is one that provides legal certainty and protection of land rights to rightful owners, but these manipulative actions undermine trust in the land law system itself. Victims who feel they have been wronged find it difficult to obtain justice, especially if the land mafia has a strong network and better legal resources. (Ariyanto & Budi, 2021).

Law enforcement against land mafia still faces many challenges, particularly in terms of evidence and the difficulty of uncovering syndicate networks consisting of various actors. The government, through the Ministry of Agrarian Affairs and Spatial Planning/BPN, has taken various measures, including collaborating with the police to investigate land mafia cases. However, the success rate of enforcement remains limited due to the complexity and systematic nature of these crimes. (Zhang, 2024).

Efforts to prevent land rights manipulation have involved digitising land administration processes, such as implementing an electronic land registration system. This system aims to reduce physical meetings and the use of paper documents that are susceptible to manipulation, thereby minimising opportunities for illegal practices. However, the implementation of this digital system must be accompanied by strengthened supervision and integrity of the officials involved (Hasanuddin & Nursini, 2022).

The role of the community and education for landowners is also an important part of reducing illegal practices. By increasing awareness and knowledge about land rights and proper administrative procedures, the community can become the front line in preventing manipulation. Social supervision of the land sale process can hinder mafia practices that require secrecy and lack of supervision to operate (K. Cahyaningtyas, 2024).

Collaboration between various institutions, including government agencies, law enforcement, social organisations, and academics, is necessary to formulate a

comprehensive anti-land mafia strategy. This approach should not only rely on law enforcement, but also on regulatory improvements, transparency, and community empowerment to create a fair and open land ownership system (Junaedi & Pradono, 2021).

Overall, the role of illegal actors in land rights manipulation has serious impacts, including economic losses, social conflicts, and damage to the legal system. Addressing this phenomenon requires an integrated approach involving various stakeholders and innovation in regulation and technology. This is important to achieve legal certainty and justice in land resource management in Indonesia.

Conclusion

Land speculation is a phenomenon that contributes significantly to land value inflation, which ultimately distorts the market and hinders the efficient allocation of resources in the economy. Speculative activities cause land prices to rise without reflecting their actual value, thereby exacerbating social and economic inequality, particularly in terms of access to land ownership for low-income communities. Fiscal policies such as progressive taxes on vacant land and strengthening transparency in the land market are important strategic steps in controlling speculation and promoting productive and sustainable land use.

In addition, the role of illegal actors in manipulating land rights transfers exacerbates land value inflation and undermines the integrity of the land administration system in Indonesia. Land mafia and other illegal networks use various methods of document manipulation and collusion with corrupt officials to illegally seize land, which has widespread impacts ranging from material losses to social conflict and legal uncertainty. Law enforcement efforts, digitalisation of administrative processes, and public education () are key to addressing these illegal practices and creating a transparent and fair land administration system.

In conclusion, to address land speculation and the role of illegal actors in manipulating land rights transfers, a comprehensive approach is needed that involves strengthening economic and legal regulations, improving the effectiveness of fiscal policies, and encouraging active community participation. Synergy among various stakeholders and the utilisation of technology can minimise land price distortions and restore confidence in the land ownership system. This study provides an important foundation for the development of policies oriented towards land market stability, social equity, and sustainable national development.

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