

CHAPTER V

CONCLUSIONS AND RECOMMENDATIONS

5.1 Conclusions

Based on the test results using Panel Data Regression analysis with the Fixed Effect Model to determine the effect of Per Capita RGDP (X1), Population Size (X2), Investment (X3), Open Unemployment Rate (X4), and Education (X5) on Economic Inequality (Y) in the Gerbangkertosusila region for the 2016–2025 period, the following conclusions can be drawn:

- 1 Per capita RGDP, measured through the natural logarithm of per capita RGDP, has a positive and significant effect on economic inequality in the Gerbangkertosusila region for the 2016–2025 period. This is evidenced by a t-statistic value of 7.603408 that exceeds the t-table, accompanied by a probability value of 0.0000 that is far below the significance level of 0.05. This means that every increase in per capita RGDP not accompanied by inter-regional equalization will drive increasing regional economic inequality, so the first hypothesis in this study is accepted.
- 2 Population size has a positive and significant effect on economic inequality in the Gerbangkertosusila region for the 2016–2025 period. This is evidenced by a t-statistic value of 5.521191 that exceeds the t-table, accompanied by a probability value of 0.0000 that is far below the significance level of 0.05. This means that uneven population concentration across regions within the metropolitan area drives increasing inter-regional economic disparities, so the second hypothesis in this study is accepted

- 3 Investment does not have a significant effect on economic inequality in the Gerbangkertosusila region for the 2016–2025 period. This is evidenced by a t-statistic value of -0.472034 that does not exceed the t-table, accompanied by a probability value of 0.6387 that is far above the significance level of 0.05. This means that changes in investment volume during the observation period are not statistically proven to affect the dynamics of inter-regional economic disparities in the Gerbangkertosusila region, so the third hypothesis in this study is rejected.
- 4 The Open Unemployment Rate does not have a significant effect on economic inequality in the Gerbangkertosusila region for the 2016–2025 period. This is indicated by a t-statistic value of 0.354487 with a probability value of 0.7243 that far exceeds the significance level of 0.05. This non-significance is caused by the relatively homogeneous variation in OUR across regions within the area, the large informal sector not captured in official data, and the indirect transmission channel of unemployment on the Williamson Index, so the fourth hypothesis in this study is rejected.
- 5 Education, measured through mean years of schooling, has a positive and significant effect on economic inequality in the Gerbangkertosusila region for the 2016–2025 period. This is evidenced by a t-statistic value of 2.065351 that exceeds the t-table, accompanied by a probability value of 0.0434 that is below the significance level of 0.05. This positive direction of effect is contrary to the initial hypothesis, and can be explained through the unequal distribution of

education across regions, the internal brain drain phenomenon of educated labor toward core regions, and the unavailability of adequate complementary factors in buffer zones to optimize the return from educational investment, so the fifth hypothesis in this study is rejected.

5.2 Recommendations

Based on the conclusions elaborated above, the following recommendations can be put forward in this study:

1. Recommendations for Regional Governments of the Gerbangkertosusila Region

Given that per capita RGDP, population size, and investment are proven to have a positive and significant effect on economic inequality, regional governments in the Gerbangkertosusila region need to design development policies oriented toward inter-regional equalization, not merely pursuing aggregate economic growth. Several concrete steps that can be taken include:

- a. Developing new economic growth centers (counter-magnets) in buffer zones such as Bangkalan Regency, Lamongan Regency, and Mojokerto Regency through the development of integrated industrial zones equipped with adequate supporting infrastructure. The existence of the Suramadu Bridge should be optimally utilized as an entry point for investment into Bangkalan Regency, which has consistently recorded the lowest per capita RGDP in the region.
- b. Designing spatially differentiated fiscal incentive policies, namely providing greater tax facilities and relief for investors placing capital in buffer zones compared to core regions. This aims to correct the investment distribution inequality that has long been concentrated in the City of Surabaya and Sidoarjo Regency.

c. Strengthening inter-regional government coordination within the Gerbangkertosusila region through joint development planning forums that explicitly place the reduction of inter-regional inequality as a strategic target, not merely as a side effect of regional economic growth.

2. Recommendations for the East Java Provincial Government

The East Java Provincial Government needs to take a more active role in coordinating equalization-oriented development policies for the Gerbangkertosusila region. Specifically, the Provincial Government needs to strengthen the role of the Investment Coordinating Board (BKPM) at the regional level in directing investment flows to lagging regions, and allocate regional transfer funds and special allocation funds more affirmatively to buffer zones within the region. In addition, provincial spatial planning policies need to be periodically revised to ensure that the development of the Gerbangkertosusila metropolitan area does not further strengthen the dominance of core regions, but gradually promotes the spread of economic activity across all regions within the area.

3. Recommendations Regarding Employment and Education Policy

Although the Open Unemployment Rate is not proven to have a significant effect on inequality in this study, this does not mean that employment policy can be neglected. Regional governments still need to design employment policies integrated with regional economic development policies, particularly by promoting the creation of quality formal employment in buffer zones so that not all of the labor force is absorbed into core regions through migration flows.

Regarding education, the finding that MYS has a positive effect on inequality shows that improving the quantity of education alone is not sufficient without being accompanied by equalization of its quality and the availability of appropriate employment in local regions. Therefore, regional governments in buffer zones need to design educated labor retention policies through the development of local economic ecosystems capable of absorbing secondary and tertiary education graduates, so that internal brain drain from buffer zones to core regions can be gradually reduced.

4. Recommendations for Future Researchers

This study has a number of limitations that open space for further research development. First, future research is recommended to expand the analysis period or add other structural variables that potentially affect inequality in metropolitan areas, such as local government capital expenditure, infrastructure accessibility indices, or the level of regional economic digitalization.

Second, future research can use a spatial analysis approach (spatial econometrics) to capture spillover effects of inequality among geographically adjacent regions in the Gerbangkertosusila area, so that inequality dynamics can be understood more comprehensively. Third, the use of higher frequency data or household micro data can be conducted to examine dimensions of inequality not captured by the Williamson Index based on aggregate inter-regional data.