

Analysis of the Quality of Economic Growth in Districts/Cities in East Java

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ABSTRACT

The purpose of this study is to analyze the quality of economic growth of districts/cities in East Java using the Williamson index method and SWOT analysis. The Williamson Index is used to measure inequality and income distribution between counties/cities, and SWOT analysis is used to identify strengths, weaknesses, opportunities, and threats that impact regional economic growth. The study collects secondary data on regional gross domestic product (GRDP), per capita income, and other relevant variables from various public sources. The results show that there are significant differences in the quality of economic growth between districts/cities in East Java, with some regions showing strong and inclusive growth, while others show greater economic disparity. Shown. The SWOT analysis shows that internal factors such as infrastructure, human resources, and innovation, as well as external factors such as government policies and global economic conditions, play an important role in determining the quality of economic growth in the region. I am. Based on these findings, this study aims to improve the quality of economic growth in East Java, including increasing investment in education and infrastructure, strengthening interregional cooperation, and developing innovation and technology-based economic sectors. We recommend an integrated strategy.

INTRODUCTION

Indonesia is a nation of great diversity, with each region boasting unique natural, economic, social, and cultural resources. This diversity leads to uneven development across the country. Development is a complex process that involves not just accelerated economic growth but also the reduction of income inequality and the alleviation of poverty, alongside significant shifts in social structures, behaviors, and institutions. Economic growth serves as a critical measure of a region's developmental success. However, robust national economic growth does not automatically translate to strong economic performance across all areas, due to differences in regional capacities to drive economic growth. Economic development is a necessary step towards achieving developmental goals.

Initially focused solely on growth, economic development has become a part of national development aimed at enhancing the living standards and welfare of the population. Achieving societal well-being requires not only increased economic growth but also equitable income distribution. Continuous economic growth without equitable distribution leads to regional disparities, characterized by the divide between advanced and less developed regions. Economic development efforts are expected to extend beyond government centers to other areas, ensuring widespread economic growth and income distribution so that all community segments can enjoy the benefits.

Economic development is essential for any country that seeks to improve the living standards and welfare of its citizens. Development efforts, whether sectoral or regional, have yielded tangible benefits across all societal layers. Local economic development involves local governments and communities managing resources and forming partnerships with the private sector to create new jobs and stimulate economic activity within their regions. Various metrics can be used to measure welfare levels, depending on the aspects of development success being assessed. Economically, development is often measured by the increase in Gross Domestic Product (GDP) or Gross Regional Domestic Product (GRDP).

East Java Province has experienced significant economic growth fluctuations, not immune to economic development disparities. According to data from the Central Statistics Agency of East Java, the province's economic growth was 5.52% in 2019, followed by a decrease to -2.39% in 2020 due to the global COVID-19 pandemic, impacting economic progress. However, growth increased to 3.57% in 2021 and further to 5.34% in 2022. Economic growth fluctuations impact the performance of other sectors, both governmental and private. Thus, quality economic growth heavily relies on both national and global economic conditions, with the government continuously planning and implementing policies to achieve high-quality economic growth.

Economic growth should reflect the welfare of the community, balanced with controlled gross regional domestic product and inflation rates. Community welfare declines when economic growth is not accompanied by inflation growth, as income levels fail to keep up with price increases reflected by inflation rates. Economic growth that reflects community welfare should also be evident in the poverty levels within the region. The number of

impoverished individuals in East Java, as seen from data across districts/cities, highlights this aspect.

Indonesia is a mosaic of diversity with each region possessing distinct natural, economic, social, and cultural potentials, leading to uneven regional development. Development encompasses not only swift economic growth but also aims at narrowing income disparities and eradicating poverty, while fundamentally altering social structures, behaviors, and institutions. Economic growth is a pivotal indicator of developmental success in a region. Yet, strong national economic performance does not guarantee uniform economic advancement across all regions due to varying local capabilities to stimulate economic growth. Economic development is critical for achieving developmental objectives.

Economic development, a subset of national development initially concentrated on growth, aims to elevate living standards and public welfare. Enhancing societal welfare necessitates not just heightened economic growth but also balanced income distribution. Sustained economic growth without equitable distribution results in regional imbalances, evident in the divide between developed and underdeveloped areas. Economic development efforts should not be confined to central governmental areas but spread throughout regions to ensure equitable economic growth and income distribution, benefiting all community sectors.

Economic development is vital for any nation looking to improve its citizens' living standards and welfare. Developmental initiatives, whether sectoral or regional, have broadly benefited society. Regional economic development involves local governments and communities managing existing resources and establishing partnerships between local governments and the private sector to create jobs and stimulate economic activities within those regions. Success in development can be measured by various indicators, typically by growth in Gross Domestic Product (GDP) or Gross Regional Domestic Product (GRDP).

The economic growth of East Java Province has seen notable fluctuations and is not exempt from economic development disparities. According to the East Java Central Statistics Agency, the province's economic growth was at 5.52% in 2019, dropped to -2.39% in 2020 due to the global COVID-19 pandemic's impact, then rose to 3.57% in 2021, and increased further to 5.34% in 2022. Fluctuations in economic growth affect the performance of other sectors, necessitating quality economic growth dependent on both national and global economic conditions. The government is committed to detailed planning and policy-making to achieve quality economic growth.

Economic growth should mirror community welfare, balanced against controlled gross regional domestic product and inflation rates. Welfare decreases when economic growth is not paralleled by corresponding inflation, as incomes fail to match price increases indicated by rising inflation levels. Economic growth reflecting community welfare should also manifest in the region's poverty rates, highlighting the number of impoverished individuals in East Java, according to district/city data.

LITERATURE REVIEW

The concept of economic development is often associated with the economic progress of developing countries. Economic development is defined by some economists as "growth plus change," indicating that it not only involves economic growth but also changes in economic structures and activities. Economic development suggests changes in output structures and input allocations across various economic sectors, along with an increase in output. Thus, economic development is usually accompanied by economic growth, but the presence of economic growth does not necessarily mean there is development or progress. In other words, economists are interested not only in the real national income growth but also in the modernization of economic activities, such as transforming traditional agricultural sectors, accelerating economic growth, and distributing income equitably.

In economic studies, these terms are sometimes used interchangeably, and while their conflation is not justified, it does not significantly impact the study of economics as the focus ultimately relates closely to a country's economic progress.

Given the complexity of economic issues, discussions often delve into more detailed topics, such as economic development within macro and microeconomics. Notable definitions of economic development include:

- Lauterbach views development as an effort to create better conditions for people in a country comprehensively, aligned with their needs without disrupting their values and way of life.
- Todaro defines development as a conscious and systematic effort by individuals or groups to create a better and more prosperous life.

According to Kartasasmita, development is the process of changing conditions towards a better state. Therefore, economic development can be understood as a conscious, planned, and systematic effort by humans to improve life through positive changes while maintaining social values within the community.

Several theories of economic development stem from different schools of thought, seeking to explain the causes of economic processes and growth:

1. The Classical school believes economic growth is driven by the race between technological advancement and population growth, initially led by technology but eventually hampered by population increases.
2. Marxian theory suggests that economic conditions shape human consciousness rather than being naturally determined by human awareness.
3. The Neoclassical school views economic development as a gradual, harmonious, and cumulative process, emphasizing capital accumulation and international aspects.
4. Schumpeter's theory challenges the neoclassical view by proposing that economic development is a sporadic and disruptive change rather than a smooth process.
5. Post-Keynesian analysis argues that population growth should be accompanied by real income and job opportunities to prevent

unemployment and poverty, considering both economic and non-economic aspects.

Economic aspects influencing development include natural resources, capital accumulation, organization, and technological advancement. Non-economic aspects such as social and cultural factors, human resources, and political and administrative structures also play a critical role.

Economic growth, measured by the Gross Domestic Product (GDP) growth rate, is a crucial objective for both local and national governments, reflecting the added value from all production activities within an economy. Infrastructure and facilities impact economic growth, with adequate provisions enabling safe and comfortable daily activities, thereby increasing productivity and attracting investors.

Gross Domestic Product (GDP) is a key indicator of a country's economic condition over a specific period, representing the total value added by all business units within a country or the total value of final goods and services produced. There are three approaches to calculating GDP: the production approach, the expenditure approach, and the income approach, each offering unique insights into economic activity.

Regional Gross Domestic Product (RGDP) serves as an indicator for economic growth at the regional level, such as provinces and cities, and is calculated using direct and indirect methods. The direct method involves calculating the total value of goods and services produced in a specific region within a given period, while the indirect method allocates the broader national GDP to specific regions.

Poverty is defined as the inability of individuals or groups to meet basic needs such as food, clothing, shelter, education, and health. According to the Central Bureau of Statistics (BPS, 2016), poverty is the inability to fulfill minimum basic needs for a decent life. Other definitions describe poverty as a condition below the minimum standard of living, whether for food or non-food needs.

Factors causing poverty include inequality in resource ownership, low human resource quality, and limited access to capital. Income distribution inequality, as measured by the Gini Ratio, indicates disparities in income earned by society members, contributing to poverty.

Therefore, advancing equitable development in Indonesia is crucial. The goal of economic development is to create growth and structural economic changes, social changes, reduce poverty and inequality, and unemployment. According to Neo-Classical Hypothesis, during the initial stages of a country's development, regional development inequality tends to increase, reaching a peak before gradually decreasing as development continues.

Economic development, commonly linked to the advancement of developing nations, encompasses growth and transformative changes in economic structures and activities. It reflects shifts in the output structure and input allocation across various economic sectors, coupled with output increases. Economic development typically accompanies economic growth, but economic growth does not necessarily equate to development.

In economic discourse, "economic development" and "economic growth" are sometimes used interchangeably, though inaccurately. Despite this, the

distinction does not significantly affect economic studies, as discussions ultimately focus on a nation's economic evolution.

Economic development, explored in both macro and microeconomics, is defined by several experts as follows:

- Lauterbach describes it as efforts to create better conditions for a nation's people comprehensively, without disrupting their values and lifestyle.
- Todaro sees it as a conscious and systematic effort by individuals or groups to improve their quality of life and prosperity.
- Kartasasmita defines it as a process of change towards a better condition.

Thus, economic development is a deliberate, planned, and systematic effort to enhance life through positive change while preserving social values in the community.

Several economic development theories include:

1. The Classical view, associating economic growth with the interplay between technological advancement and population growth.
2. Marxian theory, attributing economic development to the economic conditions shaping human consciousness.
3. The Neoclassical perspective, seeing economic development as a harmonious and cumulative process with emphasis on capital accumulation and international aspects.
4. Schumpeter's theory, proposing economic development as sporadic and disruptive, contrary to the Neoclassical view.
5. Post-Keynesian analysis, suggesting that population growth should coincide with real income and employment opportunities to avoid unemployment and poverty, considering both economic and non-economic factors.

Factors influencing economic development include natural resources, capital accumulation, organizational structures, and technological progress, along with non-economic elements such as social and cultural aspects, human resources, and political and administrative frameworks.

Economic growth, a key government goal at both local and national levels, is measured by Gross Domestic Product (GDP) growth rates, reflecting the value added by all production activities within an economy. Infrastructure and facilities significantly affect economic growth, with adequate provisions enhancing daily life and productivity, thus attracting investment.

Gross Domestic Product (GDP) is an essential indicator of a country's economic status over a specified period, calculated through production, expenditure, and income approaches.

Regional Gross Domestic Product (RGDP) measures economic growth at the regional level, employing both direct and indirect calculation methods to assess the value of goods and services produced within a specific region.

Poverty is defined as the inability to meet basic needs, with the Central Bureau of Statistics (BPS, 2016) describing it as the incapacity to fulfill minimum basic needs for a decent life. Factors causing poverty include resource ownership inequality, low human resource quality, and limited capital access, with income distribution inequality measured by the Gini Ratio indicating societal income disparities.

Promoting equitable development in Indonesia is essential for creating economic growth, structural changes, social improvements, poverty reduction, inequality mitigation, and unemployment reduction. The Neo-Classical Hypothesis suggests that regional development inequality initially increases with a country's development but gradually decreases as development progresses.

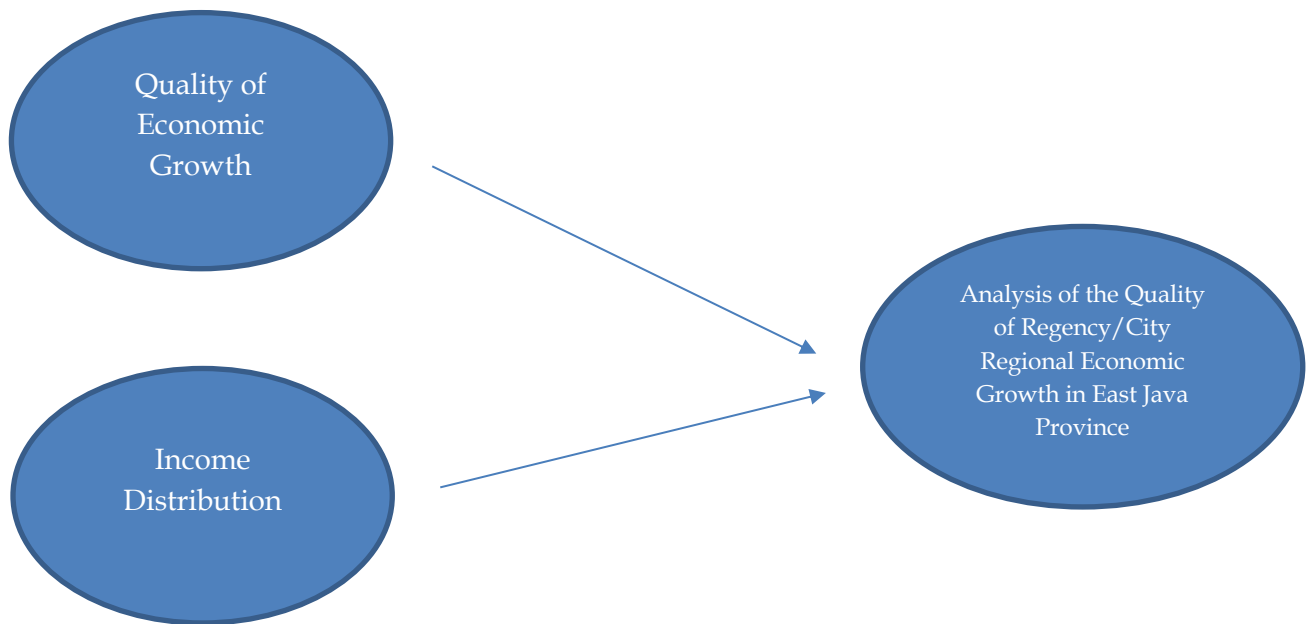


Figure 1. Framework of Thinking

METHODOLOGY

The Williamson Index is a statistical tool used to measure the disparity in development between regions, originating from Williamson's 1965 study. It operates as a coefficient of variation, assessing differences in development. However, it has limitations, including sensitivity to the defined geographical areas used in calculations. Despite these limitations, it is commonly employed to evaluate developmental inequality across regions or areas. The Williamson Index utilizes per capita Gross Regional Domestic Product (GRDP) as its data basis because it compares development levels between regions rather than income distribution among societal groups. According to Sjafrizal (2008), the Williamson Index formula is expressed as:

$$IW = \sqrt{\left(\frac{\sum_{i=1}^n (y_i - \bar{y})^2}{f_i/N} \right) / \bar{y}}$$

Where:

- IW stands for the Williamson Index,
- y_i represents the per capita GRDP of region i ,
- \bar{y} is the average per capita GRDP of all regions,
- f_i denotes the population of region i ,

- (N) is the total population of all regions,

The subscript (w) indicates that the formula is weighted, enhancing the index's stability and allowing for comparison with other countries or regions. An (IW) close to 1 indicates high disparity, while an (IW) nearing 0 signifies uniformity in development.

SWOT Analysis is a management tool used to identify the strengths, weaknesses, opportunities, and threats related to a specific region. It aids in evaluating both internal and external aspects, providing critical information on issues important to organizations, departments, or regions. SWOT Analysis begins by identifying positive aspects (strengths) and negative aspects (weaknesses), while also recognizing opportunities and threats from external sources. Following the analysis of strengths, weaknesses, opportunities, and threats in East Java's economic growth, the SWOT matrix analysis is employed to formulate alternative development strategies. This matrix clearly illustrates how external factors' opportunities and threats can align with the region's strengths and weaknesses.

The SWOT matrix outlines four possible strategic alternatives: strength-opportunity (S-O) strategies, weakness-opportunity (W-O) strategies, strength-threat (S-T) strategies, and weakness-threat (W-T) strategies, providing a comprehensive framework for strategic planning.

RESEARCH RESULTS

The Williamson Index is a tool utilized to measure regional development disparities by comparing areas with higher levels of development. Essentially, it quantifies the extent of developmental gaps within a region and is employed to assess economic inequalities in specific areas. In a study on disparities in East Java Province, the Williamson Index was applied to calculate inequality. The index is presented in a table format, distinguishing areas with the highest and lowest scores annually:

Table 1. The Williamson Index

No	Region	2019 Williamson Index	2020 Williamson Index	2021 Williamson Index	2022 Williamson Index	rata2 iw
1	Kabupaten Pacitan	0,0098	0,0038	0,0039	0,0039	0,0054
2	Kabupaten Ponorogo	0,0087	0,0072	0,0073	0,0075	0,0077
3	Kabupaten Trenggalek	0,0093	0,0050	0,0051	0,0052	0,0062
4	Kabupaten Tulungagung	0,0056	0,0051	0,0052	0,0053	0,0053
5	Kabupaten Blitar	0,0056	0,0072	0,0074	0,0075	0,0069
6	Kabupaten Kediri	0,0044	0,0785	0,0792	0,0806	0,0606
7	Kabupaten Malang	0,0062	0,0729	0,0750	0,0771	0,0578
8	Kabupaten Lumajang	0,0052	0,0068	0,0069	0,0071	0,0065
9	Kabupaten Jember	0,0020	0,1021	0,1021	0,1049	0,0778
10	Kabupaten Banyuwangi	0,0022	0,0034	0,0035	0,0040	0,0033

11	Kabupaten Bondowoso	0,0096	0,0052	0,0052	0,0053	0,0063
12	Kabupaten Situbondo	0,0694	0,0041	0,0041	0,0042	0,0205
13	Kabupaten Probolinggo	0,0048	0,0069	0,0069	0,0070	0,0064
14	Kabupaten Pasuruan	0,1139	0,0826	0,0854	0,0826	0,0911
15	Kabupaten Sidoarjo	0,1840	0,1194	0,1201	0,1340	0,1394
16	Kabupaten Mojokerto	0,0024	0,0040	0,0040	0,0038	0,0036
17	Kabupaten Jombang	0,0048	0,0076	0,0077	0,0078	0,0070
18	Kabupaten Nganjuk	0,0084	0,0078	0,0079	0,0079	0,0080
19	Kabupaten Madiun	0,0701	0,0050	0,0051	0,0052	0,0214
20	Kabupaten Magetan	0,0091	0,0042	0,0043	0,0044	0,0055
21	Kabupaten Ngawi	0,0090	0,0063	0,0064	0,0065	0,0071
22	Kabupaten Bojonegoro	0,0045	0,0008	0,0011	0,0024	0,0022
23	Kabupaten Tuban	0,0003	0,0012	0,0013	0,0009	0,0009
24	Kabupaten Lamongan	0,0058	0,0080	0,0082	0,0083	0,0076
25	Kabupaten Gresik	0,1132	0,0903	0,0924	0,0958	0,0979
26	Kabupaten Bangkalan	0,0029	0,0080	0,0081	0,0082	0,0068
27	Kabupaten Sampang	0,0006	0,0076	0,0077	0,0077	0,0059
28	Kabupaten Pamekasan	0,0093	0,0068	0,0068	0,0069	0,0075
29	Kabupaten Sumenep	0,0068	0,0067	0,0066	0,0064	0,0066
30	Kota Kediri	0,0882	0,1215	0,1757	0,1701	0,1389
31	Kota Blitar	0,0944	0,0004	0,0004	0,0004	0,0239
32	Kota Malang	0,0008	0,0053	0,0053	0,0052	0,0042
33	Kota Probolinggo	0,0896	0,0005	0,0006	0,0006	0,0228
34	Kota Pasuruan	0,6076	0,0008	0,0008	0,0008	0,1525
35	Kota Mojokerto	0,0910	0,0002	0,0002	0,0002	0,0229
36	Kota Madiun	0,0799	0,0005	0,0005	0,0005	0,0203
37	Kota Surabaya	0,7431	0,5903	0,5896	0,5903	0,6283
38	Kota Batu	0,0924	0,0008	0,0008	0,0007	0,0237

In the years from 2019 to 2022, the Williamson Index data shows significant variations in income inequality among different districts and cities in East Java. Generally, most areas exhibited an increase in the Williamson Index over the years, indicating rising income inequality. Surabaya city started with an index of 0.7431 in 2019 and saw a significant decrease to 0.1528 by 2022, attributed to population growth and a rise in immigration, potentially leading to increased unemployment and poverty rates. In 2020, the COVID-19

pandemic's impact on economic activities led to increased unemployment and a decrease in Surabaya's GRDP.

In 2019, Tuban district had the lowest disparity among East Java's regions, attributed to evenly distributed development and diverse government assistance programs, resulting in a decrease in poverty. Meanwhile, Surabaya city showed a dramatic increase in 2022 with an index of 0.5903, suggesting an unusual change in income distribution that warrants further investigation. Overall, the data reveal various income inequality dynamics in East Java, highlighting the need for focused approaches to address disparities in each area.

However, some areas showed a decrease in inequality, like Mojokerto city, which maintained low disparity levels due to evenly distributed development and inclusive development programs. Economic growth often leads to wider societal gaps, but it did not significantly impact increasing inequality in this case.

Sidoarjo and Gresik districts, previously with higher indexes, showed a decrease in 2022, possibly indicating efforts to balance income distribution. Banyuwangi and Tuban districts displayed consistently low Williamson Index figures, indicating stable and lower income disparities compared to other areas.

SWOT Analysis:

Based on the GRDP data analysis across 17 sectors from 2019 to 2022, several strengths, weaknesses, opportunities, and threats can be identified as follows:

1. Strengths:

Stable growth in Agriculture, Manufacturing, and Trade sectors, with significant growth in the Manufacturing sector, albeit with some decline in constant 2010 prices.

2. Weaknesses:

The agriculture sector experienced fluctuations and a downward trend in constant 2010 prices. The Trade sector showed significant decreases in GRDP value, particularly in 2022.

3. Opportunities:

Economic Diversification: Growth in specific sectors presents opportunities for economic diversification. **Investment and Development in the Industrial Sector:** The growth in this sector indicates further investment and development opportunities.

4. Threats:

Fluctuations in the Manufacturing sector could threaten economic stability. Changes in Agriculture sector trends could impact currently growing sectors.

This SWOT analysis reveals the dynamics within East Java's economy, highlighting areas of potential growth and sectors that may require strategic interventions to mitigate threats and leverage opportunities for comprehensive development.

DISCUSSION

Economic Growth of Cities/Regencies in East Java Based on Subsectors

The economic analysis of cities and regencies in East Java between 2019-2022 reveals an uneven distribution of income. This disparity is evident across various regions, attributed to the unbalanced population distribution, availability of natural resources, and concentrated economic activity centers. The history of Java-centric development prior to the decentralization era also had an impact. Related studies have found that GRDP negatively affects income disparity, while poverty and education levels do not influence the economic imbalance in the region.

Income Distribution of the Economy in Cities/Regencies of East Java

The analysis results indicate that the income distribution of the economy in cities and regencies of East Java from 2019-2022 is still uneven. The findings assert that there is an income gap between areas within East Java, caused by the uneven distribution of population, natural resources, and economic activities across regions, and the long-term impact of a centralized development system focused on Java before the implementation of decentralization in 2001. Research shows that GRDP has a negative effect on income inequality, whereas the number of impoverished people and the level of education do not affect income disparity in East Java.

Quality of Economic Growth

Economic growth in the cities and regencies of East Java province is still considered low and falls within developing areas. This low economic growth in East Java can be attributed to the COVID-19 pandemic's impact on the decrease in private consumption, government spending, investment, and net exports across regions. Additionally, the pandemic has suppressed the investment sector in construction and building due to the reallocation and refocusing of government budgets and the rescheduling of government and private projects because of economic activity restrictions.

Therefore, it is recommended for the local governments of cities and regencies to continue enhancing their economic growth through monetary and fiscal policies, as well as local regulations to support the growth of GRDP while striving for income equality through local government regulations in both the monetary and fiscal sectors.

Economic Growth of East Java's Cities/Regencies by Subsector

The economic analysis of cities and regencies in East Java from 2019-2022 unveils an unequal income distribution. This gap, visible among different areas, is suspected to stem from imbalanced population distribution, unequal access to natural resources, and economic activities concentrated in certain areas. The historical Java-centric development approach before the decentralization era has also contributed. Studies indicate that GRDP negatively impacts income inequality, while factors such as poverty and education levels do not significantly affect the region's economic imbalances.

Economic Income Distribution in East Java's Cities/Regencies

The analysis reveals that the economic income distribution in East Java's cities and regencies from 2019-2022 remains uneven. This income disparity among regions is due to the uneven distribution of population, natural resources, and economic activities, as well as the long-term effects of a centralized development system focused on Java before the decentralization system was implemented in 2001. Studies demonstrate that GRDP has a negative influence on income inequality, whereas the number of impoverished individuals and education levels do not significantly impact income disparity in East Java.

Quality of Economic Growth

The economic growth in the cities and regencies of East Java is still relatively low, categorizing them as developing areas. This low economic growth in East Java can be attributed to the COVID-19 pandemic's effects on reducing private and government consumption, investment, and net exports among regions. Furthermore, the pandemic has pressured the construction and building investment sector due to government budget reallocation and rescheduling of government and private projects because of economic activity restrictions.

Therefore, it is advised that city and regency governments continue to boost their economic growth through monetary and fiscal policies, as well as local regulations to support GRDP growth while aiming for income distribution equality through local government regulations in both monetary and fiscal sectors.

CONCLUSIONS AND RECOMMENDATIONS

Based on the research and discussions conducted using Williamson Index, the following conclusions can be drawn for this study:

Economic growth in the East Java province

There is income disparity in the cities and regencies of East Java province. This disparity can be attributed to the uneven distribution of population, natural resources, and economic activities across regions, as well as the long-term effects of a Java-centric regional development system prior to the implementation of decentralization in 2001.

Economic growth in the cities and regencies of East Java is still considered low and classified as developing areas. This situation is partly due to the COVID-19 pandemic's impact on private consumption, government spending, investment, and net exports across regions. Additionally, the pandemic has suppressed the building and construction investment sector due to government budget reallocation and rescheduling of government and private projects because of economic activity restrictions.

Recommendations

Based on the conclusions drawn, the following recommendations are provided for consideration by relevant parties:

For Local Governments

Local governments are encouraged to continually gather information on income disparity issues and provide solutions to improve services to the community to achieve more equitable economic development. Furthermore,

governments should assist in creating and enhancing business opportunities to improve economic growth in the cities and regencies of East Java and minimize social disparities between high and low-income workers by creating job opportunities and prioritizing local residents to improve the economic growth in the cities and regencies of East Java.

For Future Researchers

Future researchers are advised to incorporate additional variables in similar studies and to expand the scope of their research objects to achieve more accurate results.

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