

## V. CONCLUSION AND IMPLICATION

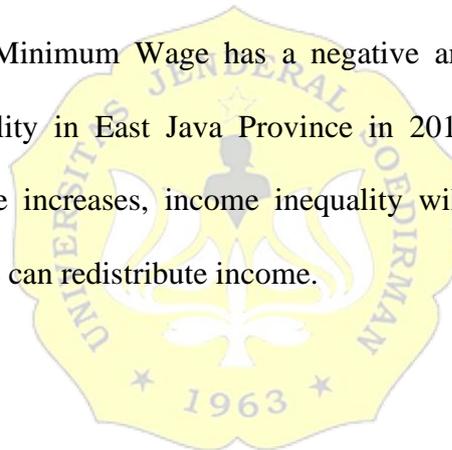
### A. Conclusion

Based on the results of research on the effect of leading sector productivity on income inequality in East Java Province, 2017–2021, the following can be concluded:

1. Manufacturing sector productivity does not effect income inequality in East Java Province in 2017-2021. That is, the large value of GRDP manufacturing sector productivity does not have a significant effect on reducing income inequality, this is because industrial activities are still concentrated in certain areas, and GRDP is only enjoyed by a portion of the population.
2. Wholesale and retail trade sector productivity does not effect income inequality in East Java Province in 2017-2021. That is, the large value of GRDP wholesale and trade sector productivity does not have a significant effect on reducing income inequality. The weak role of GDP in the trade sector on income inequality may be caused by indications of low wages for workers in the trade sector.
3. Agriculture, forestry, and fishing sector productivity does not effect income inequality in East Java Province in 2017-2021. That is, the large value of GRDP agriculture; forestry; and fishing sector productivity does not have a significant effect on reducing income inequality. This is due to the small

amount of added value generated from agricultural products and also due to a decrease in the contribution of the agricultural sector due to the conversion of agricultural land and a decrease in the number of workers in the agricultural sector.

4. HDI has a positive and significant effect on income inequality in East Java Province in 2017-2021. That is, if the quality of human resources increases, income inequality will increase. An increase in HDI in one area that is not accompanied by an increase in HDI in other areas will lead to an increase in income inequality between the two.
5. Regency/City Minimum Wage has a negative and significant effect on income inequality in East Java Province in 2017-2021. That is, if the minimum wage increases, income inequality will decrease because the minimum wage can redistribute income.



## **B. Implication**

Based on the results of the research analysis and conclusion obtained, some implications need to be considered as follows:

1. The East Java Provincial Government is expected to focus on an equal distribution of HDI. Such as providing scholarship assistance programs that are right on target for those in need, improving educational facilities, and increasing the quality of education, but not forgetting the addition of soft-skill training that is expected after completing education but also acquiring existing skills, so that the program is expected to be able to support the

productivity of various segments of society and which in turn can reduce inequality in income distribution. In addition, the government also needs to improve health facilities such as building a hospital.

2. The East Java Provincial Government is expected to be able to increase the minimum wage every year, but this must be accompanied by maintaining and improving a good investment climate so that companies in East Java Province in particular are able to maintain or increase their productivity. Efforts that can be made include simplifying licensing and providing investment services and facilities that provide convenience for business actors and maintain security stability.

### C. Research Limitation

Some limitations in this research are:

1. The factors that affect income inequality in East Java Province for 2017-2021 consist of five independent variables, which include manufacturing sector productivity, wholesale and retail trade sector productivity, agriculture; forestry; and fishing sector productivity, HDI, and Regency/City Minimum Wage. In this research, the *adjusted R square* coefficient has a low result, which is equal to 8 percent. Therefore, the independent variable has a low influence on the dependent variable. For further research, it is suggested to add other independent variables such as economic growth, poverty, open unemployment rate, and investment.

2. This research is limited to only 190 observations. For future researchers, it is recommended to increase the number of observations used with the assumption that more observations can provide better estimate.

