

## **CHAPTER V**

### **CONCLUSION AND RECOMMENDATION**

#### **5.1. CONCLUSION**

1. The manufacturing and mining industry sectors are the main drivers of structural transformation in Maluku Utara Province, and have advantages both nationally and locally. Meanwhile, sectors such as electricity and gas, remediation activities, real estate activities, although they have contributions, their total values are relatively lower.
2. Further supporting this shift, the Location Quotient (LQ) analysis highlights that sectors with  $LQ > 1$ , Agriculture, Forestry, and Fisheries Sector (average LQ 1.45), Mining and Quarrying Sector (average LQ 1.60) Wholesale and Retail Trade (average LQ 1.16), Transportation and storage (average LQ 1.14), Public Administration, Defense, and Mandatory Social Security Sector (average LQ 4.00), Human health and social art work activities (average LQ 1.54), while the rest sectors has LQ below than 1.
3. The smaller the Williamson inequality index number or approaching zero indicates that inequality is getting smaller or more even, conversely, if the number is getting closer to one, it means that inequality is getting bigger. Based on data from 2016 to 2023, the trend of the Williamson Index in Maluku Utara Province shows a fairly sharp increase in inequality. The index value in 2016 was recorded at 0.281, which reflects a level of inequality that is still relatively moderate. . The Theil index value was at 0.801 in 2016, and had increased to 0.837 in 2017, but then decreased slowly from year to year until it reached 0.690 in 2023.
4. The Klassen Typology classifies sectors such as Agriculture, Forestry and Fisheries, Mining and Quarrying, Water Supply, Waste Management, Waste and Recycling, Wholesale and Retail Trade, Automobile and Bicycle Repair, Government Administration, Defense and Social Security Educational Services into Quadrant I (advanced and fast-growing sectors), while

Manufacturing Industry, Electricity and Gas Supply, Construction, Financial and Insurance Services real Estate into quadrant II, and Transportation and Warehousing, Health Services and Social into Quadrant III (potential sectors with rapid growth but relatively low contribution). While the rest in quadrant IV. This categorization reflects a dynamic and evolving sectoral composition, with sectors transitioning from low productivity to higher value-added activities.

## 5.2.RECOMMENDATION

### 1. Strengthen the Manufacturing Sector as a Strategic Growth Engine

Given its rapid growth and rising competitiveness, the manufacturing sector should be prioritized as a leading sector. Policies should support upstream downstream integration, enhance workforce skills, and improve access to technology and financing, so that the sector can reach a critical scale and contribute more significantly to regional GRDP.

### 2. Promote Inclusive Industrial Development Across Regions

To reduce inter-regional inequality and prevent excessive economic concentration in Central Halmahera, the government should encourage the establishment of industrial hubs and processing facilities in other regencies, such as Morotai or Taliabu. This can be done by offering fiscal incentives, improving logistics infrastructure, and attracting investment to underdeveloped areas.

### 3. Strengthen Spatial Equity through Targeted Fiscal Transfers and Infrastructure

To address the widening inequality aligned with the Kuznets and Myrdal hypotheses, intergovernmental transfers, infrastructure development, and basic service delivery should be strategically directed toward lagging areas. This will foster “spread effects” and prevent deepening spatial disparities

4. This study is limited to a descriptive analysis of structural transformation patterns and regional disparities without exploring the underlying factors that drive these processes. Therefore, future researchers are encouraged to conduct more comprehensive studies using quantitative or econometric approaches to identify and analyze the determinants influencing structural transformation. Furthermore, future research may also focus on examining the causal relationship between structural transformation and regional inequality in order to provide deeper insights into the dynamics of regional economic development and to support more targeted policy recommendations.

### **5.3. RESEARCH LIMITATIONS**

1. Limitations in Data Availability and Yearly Consistency. This study heavily relies on secondary data published by the Central Statistics Agency (BPS), both at the provincial and regency/city levels. However, there are certain limitations related to data consistency across years, especially for specific sectors that experienced changes in classification or reporting methods. This inconsistency may affect the accuracy of longitudinal analyses such as those employed in the Shift Share and Location Quotient (LQ) methods.
2. Application of Classical Models in Economic Structural Analysis. This research employs traditional analytical tools, including the Shift Share method, Location Quotient (LQ), and Klassen Typology, which although widely used have inherent limitations. These models do not account for spatial interactions or inter-regional linkages, nor do they directly incorporate external factors such as investment, infrastructure, or local government policy interventions, which are critical in understanding regional development dynamics.
3. Lack of Empirical Validation through Qualitative Approaches. This study does not incorporate empirical validation through interviews, focus group discussions (FGDs), or field studies. As a result, there is no

confirmation or triangulation of the quantitative findings with perspectives from key stakeholders such as local government officials, industry actors, or community members. This limits the depth of understanding regarding the underlying structural factors driving regional inequality or sectoral growth.

