

## **Trickle-Down Effect of the Tourism Sector on the Socioeconomic Conditions of Kediri Regency**

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### **ABSTRACT**

This study was conducted to analyze the trickle-down effect of the tourism sector in Kediri Regency from 2016 to 2024. This study used path analysis, with tourism sector growth as an exogenous variable, the open unemployment rate as an intervening variable, and income inequality as an endogenous variable. The results indicate that a trickle-down effect occurred in the tourism sector in Kediri Regency from 2016 to 2024, with tourism sector growth having a significant impact on income inequality indirectly through the open unemployment rate. The growth of the tourism sector had a significant negative effect on the open unemployment rate, while the open unemployment rate had a significant positive effect on income inequality.

**Keywords:** Trickle-Down Effect, Tourism Sector Growth, Open Unemployment Rate, Income Inequality

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### **INTRODUCTION**

Increasing economic growth is one measure of successful development, accompanied by increased national stability, an improved investment climate, and a decrease in unemployment. An economy can be said to have achieved growth if the production of goods and services increases compared to the previous year. Furthermore, achieving economic growth must also focus on achieving other development benchmarks.

Rapid economic growth should be accompanied by a decrease in unemployment, a reduction in poverty, and an increase in the distribution of prosperity. As a country with a large population and diverse geography, poverty alleviation in Indonesia requires a locally-based strategy (Nasution, 2025). This locally-based sector, a key growth driver in a region, is expected to impact the welfare of the people, both by creating new job opportunities, thereby reducing unemployment and equitable income distribution.

This is based on the trickle-down effect theory, as stated by Nienaber et al. (2022), which states that the trickle-down effect is the expected impact of indirect economic development strategies to equalize prosperity, emphasizing economic growth.

Regarding high economic growth as a key prerequisite for the trickle-down effect, Kediri Regency is a region with a relatively high economic growth rate in East Java Province in 2024, with a value of 4.16% (BPS Kediri Regency, 2024). Kediri Regency's high economic

growth is inseparable from the contribution of its growing tourism sector. This is evident in the largest contributions to Kediri Regency's Gross Domestic Product (GRDP), supported by the following sectors: (1) Manufacturing Industry; (2) Wholesale and Retail Trade, Car and Motorcycle Repair and Maintenance; and (3) Accommodation and Food and Beverage Provision, representing the tourism sector. Furthermore, the tourism sector also contributes significantly to Kediri Regency's Regional Original Income (PAD), amounting to 3.7 billion Rupiah.

Kediri Regency's high economic growth and growing tourism sector have not, in reality, been able to maximize job opportunities, making it difficult to suppress unemployment. This is evident in the relatively high open unemployment rate (TPT) in Kediri Regency between 2023 and 2024, at 5.10%. In addition to the unemployment rate, income inequality in Kediri Regency is also quite significant during the same period. This is evident in Kediri Regency's relatively high Gini ratio of 0.30. The Gini ratio is a measure of inequality or uneven distribution of income within a region; the closer it is to 1, the greater the income inequality.

Based on these issues, the author is interested in understanding the trickle-down effect of the tourism sector in Kediri Regency. As a basic sector that is a focus of development and experiencing rapid growth, the tourism sector in Kediri Regency remains an interesting topic for research. Based on these issues, the author is interested in developing tourism in Kediri Regency as a sector that will impact community welfare. In this study, the author focuses on how the tourism sector can provide a trickle-down effect on the community through job creation.

The trickle-down effect will be measured by the growth of the tourism sector and its impact on income inequality. Given that the tourism sector is a key sector in Kediri Regency, the trickle-down effect should occur and be optimal when the developed sectors are designed in a way that aligns with the economic potential of the region.

## **LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT**

Economic growth is the process of continuously changing a country's conditions toward a better state. Economic growth can also be defined as the process of increasing an economy's production capacity, manifested in an increase in national income (Marcal et al., 2024). In this era of globalization, it is said that economic growth is an indication of successful economic development, or economic growth is one measure of a country's economic success. It is also undeniable that a country's prosperity can only be measured by its ability to create a growing economy.

Economic growth will impact various aspects of the economy, such as poverty levels, social welfare, and the economic performance of economic sectors. Economic growth is not only a goal for a country but also a means to achieve social welfare and overall economic development.

Economic growth has a complex impact on a country's economic development, including positive impacts that need to be considered. The positive impacts of economic growth exist because economic growth affects various aspects of people's lives, including the economic, social, and environmental sectors. These positive impacts include increased production levels and improved social welfare. Economic growth is supported by various

sectors, including tourism, which can improve community welfare. Tourism in various countries has experienced rapid growth, both in terms of demand and supply (Song et al., 2023), ultimately contributing to community welfare. Adjie & Ahdika (2023) noted that the tourism sector negatively impacted unemployment rates in regencies/cities in the Special Region of Yogyakarta from 2016 to 2020. Research findings indicate a negative impact on open unemployment.

Terfaia & Othmane (2021) also found that the tourism industry impacted unemployment in Algeria from 1995 to 2018, both in the short and long term. Royali et al. (2024) analyzed the role of community-based tourism in reducing unemployment and increasing village incomes in Setigi Tourism Village, demonstrating that community-based tourism has a positive impact on the local economy. Aini (2024) also conducted an analysis of the factors influencing open unemployment in the tourism industry in East Java Province from 2015 to 2022, which showed that the tourism sector had a negative effect on open unemployment.

Miranti & Amalia (2023) estimated the influence of the tourism sector on poverty, using the open unemployment rate in Bali Province from 2006 to 2022, using path analysis. The results showed that the tourism sector had a direct and indirect negative effect on the percentage of the poor population. Yasa et al. (2025) studied the influence of the tourism sector on unemployment in Bali Province from 2004 to 2024, with results indicating a negative impact on the number of unemployed.

Taufiqurrahman & Marsisno (2022) examined the influence of the tourism sector on poverty levels in East Nusa Tenggara Province in 2022, and found that tourism had a negative and significant effect. Pribowo et al. (2021) conducted research on the impact of tourism on poverty in Eastern Indonesia (KTI) from 2010 to 2019, which showed a negative impact.

Economic development reflects the government's success in addressing various problems such as poverty and unemployment (Marcal et al., 2024). Every country strives to increase its economic development as a crucial step towards achieving social welfare (Mukaffi, 2022). According to the concept of sector-based growth, tourism can have both direct and indirect effects, through job creation and increased income.

Furthermore, the development concept emphasizes that the benefits of tourism development should be felt by all levels of society to contribute to poverty alleviation. Dewi et al. (2023) demonstrated the significant influence of the tourism sector on GRDP growth and the reduction of the number of poor people. The tourism sector, as a sustainable development sector, plays a crucial role in driving economic growth and public welfare.

The trickle-down effect theory is a key topic in economic development, particularly in developing countries. The trickle-down effect is an approach to indirect economic development strategies to increase welfare equality, emphasizing the emergence of economic growth. It is considered an indirect strategy because the process of welfare equality is carried out through increasing economic growth in the primary sector, which then distributes the results of this economic growth to other sectors. This distribution process is expected to improve public welfare.

Economic growth actually prioritizes its central point before being distributed to other locations. Within a country, there are several growth points, where clustered industries are located. This is because several benefits are obtained in the form of cost efficiencies incurred by the relevant industries. Increasing growth hotspots is encouraged to create effective

development spillover effects. Investment opportunities, employment opportunities, and relatively high wages are more prevalent in growth centers. Therefore, investment is a prioritized economic activity to accelerate economic growth through the trickle-down effect. By accelerating the existing economic growth rate, subsequent investment is expected to create new job opportunities, reduce unemployment, and ultimately equalize income distribution and reduce income inequality within the community.

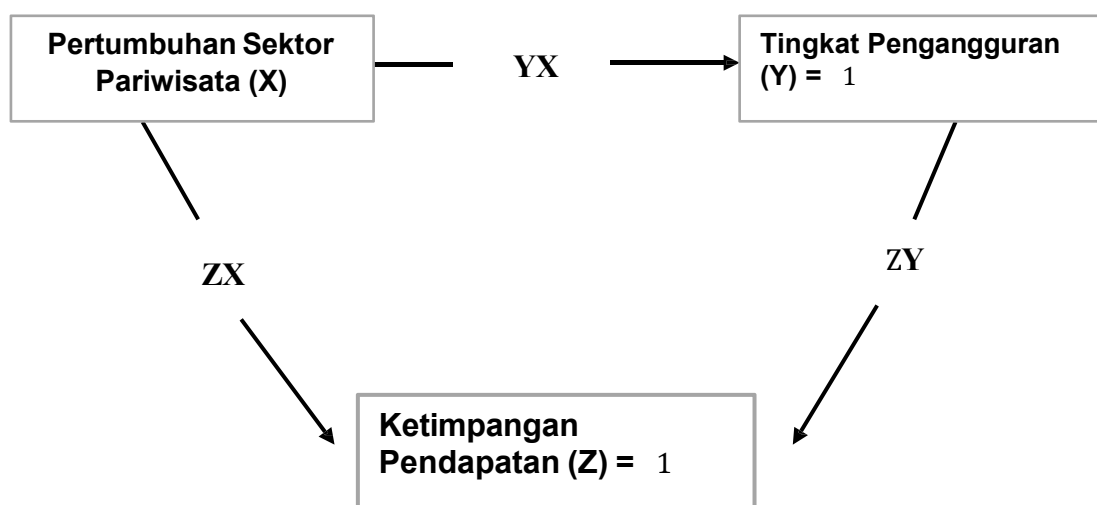
Based on the literature review above, the hypothesis in this study refers to the trickle-down effect theory, which discusses the progress achieved by a group of people, in this case the tourism sector, with the impact of growth naturally trickling down, creating jobs and various forms of economic opportunities that will ultimately foster various conditions for equitable distribution of economic growth.

## METHODS

This research employed a quantitative approach. Quantitative research is a method used to test a specific theory by examining the relationships between variables. These variables are measured using research instruments and then analyzed using statistical procedures. Using this approach, the researcher was able to analyze whether there is a trickle-down effect in Kediri Regency, as seen through the influence of tourism sector growth, unemployment rates, and income inequality.

Data Analysis Method: In this study, the author used path analysis to answer the research questions formulated in the previous chapter. Path analysis is used to analyze the relationship patterns between variables, with the aim of determining the direct and indirect influence of a set of independent (exogenous) variables on the dependent (endogenous) variable. The author then divided the data processing into three stages: classical assumption testing, correlation analysis, and path analysis. The path analysis method is depicted in the following diagram:

**Pict 1. Diagram Path Analys**



Source : author, 2025.

The Model :

$$Y = YX +$$

$$Z = ZXX + ZYY + z^2$$

## RESULTS

The results of the structural equation test revealed that the direct effect of tourism sector growth on income inequality was 1.142, and the indirect effect through the open unemployment rate was -0.928 and 0.435.

### **The Effect of Tourism Sector Growth (X) on the Unemployment Rate (Y)**

The results of the study indicate that tourism sector growth directly has a significant negative effect on the open unemployment rate. This indicates that any increase in tourism sector growth will decrease the open unemployment rate. These results support Okun's Law, which explains the relationship between economic growth and the unemployment rate. Okun stated that if the economy, as measured by GRDP, grows 2.5% above its trend, achieved in a given year, the unemployment rate will decrease by 1%.

Previous research by Dewi et al. (2023) demonstrated a significant influence of the tourism sector on GRDP growth and a reduction in the number of poor people. The tourism sector, as a sustainable development sector, plays a crucial role in driving economic growth and public welfare.

According to the sector-based growth concept, tourism can have both direct and indirect effects, through job creation and increased income. Furthermore, the development concept emphasizes that the benefits of tourism development should be felt by all levels of society to contribute to poverty alleviation.

The growth of the tourism sector has a direct impact on reducing unemployment by creating new jobs due to increased production capacity. Economic growth is defined as an increase in GDP, regardless of whether the increase is greater or less than the population growth rate, and whether there is a change in economic structure or improvement in institutional systems. This means that the growth of the tourism sector in Kediri Regency will directly and indirectly create jobs. As a sector that contributes significantly to Kediri Regency's GRDP, with a high growth rate, it will experience increased production capacity and the creation of new job opportunities.

The innovative tourism economic policies implemented by Kediri Regency have also provided opportunities for the development of creative economic activities. This is evidenced by the increasing number of creativity-based businesses. The tourism and creative economy sectors are mutually influential and can synergize if managed properly, including in creating new job opportunities. This demonstrates that the tourism sector's role as a driver of regional development has been effective in reducing unemployment.

### **The Effect of the Unemployment Rate (Y) on Income Inequality (Z)**

The results of this study indicate a direct relationship between the open unemployment rate and income inequality. The open unemployment rate has a significant positive contribution to changes in income inequality. The results of this study indicate that the magnitude of income inequality is determined by the open unemployment rate, among other factors.

The positive relationship between the open unemployment rate and income inequality indicates that as the unemployment rate increases, income inequality also increases. A high unemployment rate in a region indicates that a large portion of the workforce is unable to be absorbed by the labor market. Therefore, a high number of unemployed people indicates that available job opportunities are only enjoyed by a small portion of the population, meaning that employment opportunities are not being absorbed equally by the community.

When only a portion of the population is employed and receives wages, income inequality also increases. This rising unemployment rate is caused by inadequate human resource competency, resulting in an inability to fill available vacancies. The growth of the tourism sector can create job opportunities and thus reduce unemployment, but this has not been matched by the quality of existing human resources. As a solution to this problem and to reduce income inequality caused by unemployment, the Kediri Regency Government has a tourism development policy, namely developing supporting tourism infrastructure and increasing investment, as well as supporting superior education to support development activities in Kediri Regency by creating competitive human resources (HR).

Existing job opportunities have not been optimally utilized, ultimately resulting in only a portion of the population being employed. The rising open unemployment rate in Kediri Regency has also increased income inequality over the same period, as only a portion of the population benefits from the growth of the tourism sector through wage income due to the rising unemployment rate.

### **The Effect of Tourism Sector Growth (X) on Income Inequality (Z)**

Tourism sector growth has a direct effect on changes in income inequality, with a significant negative path. Tourism sector growth has a direct effect on income inequality through the unemployment rate. This finding indicates that the magnitude of changes in income inequality is determined in part by the growth of the tourism sector. These results support the Kuznets Hypothesis, which states that there is a relationship between inequality and economic growth in the process of economic development, forming an inverted U-shaped curve. Previous research by Siska and Aimon (2020) stated that increasing the number of domestic and international tourists can increase income, ultimately reducing income inequality.

Data obtained from the Kediri Regency Tourism and Culture Office indicates that most tourism development and investment in the tourism sector have greater potential to involve local communities. This indicates that growth in the tourism sector results from the value of tourism development and development.



### **The Indirect Effect of Tourism Sector Growth (X) on Income Inequality (Z) (Trickle-Down Effect Analysis of the Tourism Sector in Kediri Regency)**

The growth of the tourism sector negatively impacts the unemployment rate, while the unemployment rate positively impacts income inequality, indicating a trickle-down effect in the tourism sector in Kediri Regency. This is consistent with the research hypothesis that there is a trickle-down effect in the tourism sector in Kediri Regency. The trickle-down effect refers to the influence of the growth of the tourism sector in Kediri Regency through the unemployment rate, which influences income inequality.

The existence of a trickle-down effect indicates that the high economic growth in Kediri Regency, particularly the growth of the tourism sector, has a trickle-down effect on income inequality, resulting in a decline in the unemployment rate. This decline in unemployment has subsequently reduced income inequality.

The tourism sector in Kediri Regency contributes significantly to the Regency's GRDP (Gross Domestic Product). The tourism sector also provides new job opportunities, potentially reducing the unemployment rate. The tourism sector has shifted the livelihoods of the people of Kediri Regency from predominantly agricultural to trade and services. This demonstrates that the tourism sector, as a primary focus of development, is capable of providing employment opportunities and absorbing the existing workforce. In other words, the tourism sector is capable of creating new job opportunities and gradually shifting the primary occupation of the people of Kediri Regency.

### **CONCLUSION**

The research aimed to analyze the trickle-down effect of the tourism sector in Kediri Regency. Using path analysis, the results showed that the trickle-down effect of the tourism sector in Kediri Regency occurred through a decrease in the unemployment rate as a result of the growth of the tourism sector. The growth of the tourism sector reduced the unemployment rate by increasing employment opportunities. The increased employment opportunities were caused by the increased demand for production factors due to increased production capacity as a form of growth in the tourism sector in Kediri Regency. The decrease in the unemployment rate can reduce the level of income inequality in society, because a decrease in the unemployment rate means that more people are working and receiving income, thus providing a more equitable distribution of income. The growth of the tourism sector in Kediri Regency means that it has reduced the unemployment rate and equalized the welfare of the people of Kediri Regency, and this indicates a trickle-down effect in the tourism sector. One sector that has the potential to reduce poverty is the tourism sector because of its ability to increase employment opportunities.

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