

Socio-Economic Dynamics in Malang City: Changes in Economic Structure and the Influence of Urbanization

Ririn Dwi Rahayu*

Yogyakarta State University

*Corresponding Author: rahayuririn08@gmail.com

ABSTRACT

This study aims to analyze the socio-economic dynamics in Malang City, which has undergone significant transformation due to urbanization. The background of this study focuses on the shift in economic structure from the dominance of the agricultural sector to the trade, services, and tourism sectors. The method used is a qualitative approach with case studies, involving in-depth interviews with government officials, business actors, and direct observation in the field. The results of the study indicate that urbanization has increased productivity and community income, especially through the rapid growth of the tourism sector. However, challenges such as social inequality, pressure on infrastructure, and mismatch between workforce skills and market needs have also emerged. The discussion emphasized the importance of investing in sustainable infrastructure and improving workforce skills to address these challenges. Recommendations produced include equitable infrastructure development and training programs relevant to local industries. This study is expected to provide insight for policy makers in formulating effective strategies to improve the quality of life of the community and the economy in Malang City.

Keywords: Urbanization, Economic Structure, Labor Skills.

INTRODUCTION

Malang City, located in East Java, has undergone a significant economic transformation, shifting from being dominated by the plantation sector, such as coffee and sugar, to the increasingly growing trade, services, and tourism sectors (Christiana et al., 2023). The synergy between political authorities, the central bank, and business actors also supports the development of regional potential and the institutional capacity of local communities (Christiana et al., 2023). The tourism sector, with the development of thematic and culinary tourism, has a positive impact on economic growth and increasing the original regional income (PAD) of Malang City (Nurfitriya & Iskandar, 2020). Regional regulations, such as Regional Regulation Number 4 of 2023, also contribute to increasing PAD and support fiscal autonomy and sustainable development (Rahayu, 2024). In addition, industrial sectors such as tempeh chips, furniture, rattan, and





ceramics, play an important role in increasing the competitiveness of local products both in regional and international markets (Anggraeni & Ayuni, 2020). Malang City is also known as a center of quality education, with a focus on improving education, health, and environmentally friendly development (Cahyanti, 2017). Overall, Malang City plays an important role in the regional economy of East Java through sustainable diversification of economic sectors.

Urbanization in Malang City has brought significant changes in social and economic dynamics. This urbanization process is characterized by high migration rates, especially those influenced by education and employment factors. The city has become a major destination for migrants due to the presence of renowned universities and better job opportunities (Syafiq & Verdiyanata, 2024). Rapid economic growth has also driven further migration, with many people coming in search of better economic opportunities (Nurfitriya & Iskandar, 2020). Urbanization has also changed the demographic composition of the city, with an increase in the productive age population creating challenges and opportunities related to the provision of employment and social services (Syafiq & Verdiyanata, 2024). This increase in population also increases the need for infrastructure, such as housing, transportation, and public services, which require collaboration between the government and the private sector to meet them (Syafiq & Verdiyanata, 2024; Nurfitriya & Iskandar, 2020). From a social perspective, urbanization has changed people's lifestyle patterns, modernized family structures, and increasingly urbanized social interaction patterns (Nurfitriya & Iskandar, 2020). In addition, the urban tourism sector is also growing rapidly, with the development of thematic and culinary tourism having a positive impact on the local economy and the informal sector (Nurfitriya & Iskandar, 2020). Overall, urbanization in Malang City brings major changes that create new challenges and opportunities in various aspects of life.

The changes in the economic structure of Malang City reflect significant dynamics in various economic sectors, including trade, services, industry, agriculture, education, and tourism. The trade and services sector shows rapid growth, with retail, wholesale, car and motorcycle repairs, and financial and insurance services being the leading sectors that contribute greatly to the local economy (Rizani, 2020). The transportation, warehousing, accommodation, and food supply sectors have also experienced significant development (Rizani, 2020). Although the industrial sector, such as construction, has also developed, its rate of development is not as fast as the trade and services sector (Rizani, 2020). Rapid urbanization in Malang has contributed to the decline of the agricultural sector, with changes in land use to residential and commercial, which has reduced the area of agricultural land and reduced its contribution to the local economy (Nurfitriya & Iskandar, 2020; Rizani, 2020). The education sector in Malang is growing rapidly, with many educational institutions attracting students from various regions, which also contribute greatly to the local economy (Rizani, 2020). Tourism is another important sector, with the development of thematic and culinary tourism increasing local income and the informal sector (Nurfitriya & Iskandar, 2020). Overall, the shift from the agricultural sector to the trade, services, and tourism sectors has made Malang a dynamic economic center in East Java.

Malang City faces various challenges and opportunities in dealing with social and economic dynamics. The main challenges faced are social inequality, unemployment, and pressure on city infrastructure. Fluctuations in the labor market, influenced by external factors such as the COVID-19 pandemic and economic recovery policies, have caused instability in the ratio of the employed population and the proportion of the self-employed (Syafiq & Verdiyanata, 2024). In addition, the mismatch between





graduate skills and labor market needs worsens the unemployment rate, which shows the importance of adjusting the education curriculum to industry demands (Rusdianti & Ainun, 2024). On the other hand, the development of thematic villages in Malang also faces pressure on limited infrastructure, which can hinder the growth and sustainability of the project (Iswari & Indriani, 2024).

However, there are a number of opportunities that can be utilized to improve the quality of life and economy in Malang City. One of them is the development of thematic villages that have great potential to improve the tourism sector, local economy, and quality of life of the community. The proposed strategies include infrastructure improvements, more aggressive promotion, training for local communities, and risk mitigation efforts (Iswari & Indriani, 2024). In addition, collaboration between government, industry, and educational institutions can also open up new job opportunities and improve the quality of vocational education and digital infrastructure to align skills with market demand (Syafiq & Verdiyana, 2024). Revitalizing the vocational education curriculum can also help reduce unemployment and increase workforce participation (Rusdianti & Ainun, 2024). By utilizing these opportunities, Malang City can overcome existing challenges and develop inclusively and sustainably.

LITERATURE REVIEW

1. Urbanization Theory and Its Impact on Socio-Economic Structure

Urbanization, as the process of increasing the proportion of the population living in cities, has a significant impact on the social and economic structure of a country, especially in the context of migration from rural areas. Economically, urbanization plays a significant role in economic development by increasing the complexity of productive structures, leading to the production and export of more diverse goods (Di Clemente et al., 2020). Workers in urban areas are generally more productive and have higher incomes than those in rural areas, thanks to larger economies of scale and richer markets (Bloom et al., 2008). However, urbanization also brings challenges, such as overcrowding, environmental degradation, and barriers to productivity (Bloom et al., 2008). Socially, urbanization can exacerbate social inequalities and health problems, requiring policies to support better socio-economic conditions for the urban poor (Kuddus et al., 2020). To address this disparity, investment in inter-regional infrastructure and fiscal decentralization are essential, so that urbanization can be managed more equitably and reduce the disparity between large cities and hinterland cities (Davis & Henderson, 2003). Overall, urbanization has a positive impact on productivity and economic development, but it also requires appropriate policies to address the social and environmental impacts it causes.

2. Economic Structural Changes in Indonesian Cities as a Context of Analysis

Changes in the economic structure of Indonesian cities play a significant role in the dynamics of regional economic growth. Research shows that although labor movement between sectors does not always increase economic growth, productivity gains in certain sectors have a greater impact in the long





run (Andriansyah et al., 2021). Structural transformation in Indonesia is characterized by a decline in the contribution of the agricultural sector to GDP and a shift in the labor force from rural to urban areas. However, the pace of job transformation is slower than GDP fluctuations, reflecting a more gradual process of change (Nanga & Widjaja, 2024). A case study in Banjar City shows that the agricultural, accommodation, business and trade, and public services sectors dominated the city's economic structure from 2017 to 2019. City government policies that focus on local road infrastructure development and protection of traditional markets play an important role in maintaining economic growth (Supriyadi et al., 2021). Although sustainability policies have been implemented, changes in regional leadership pose a challenge in their implementation (Supriyadi et al., 2021). In addition, financial and digital technology development are key factors that accelerate structural transformation, but obstacles such as lack of skilled labor and adequate digital infrastructure need to be addressed to accelerate this process (Nanga & Widjaja, 2024). Overall, increasing the productivity of certain sectors and focusing on financial and digital technology development will accelerate Indonesia's economic transformation and drive sustainable regional growth.

3. The Impact of Urbanization on Social Disparities and Infrastructure Development in Urban Areas

Urbanization has a significant impact on social inequality and infrastructure development in urban areas. Research shows that urbanization is often accompanied by infrastructure inequality, which is more pronounced at regional scales than at local scales within cities. This inequality limits the potential of urbanization as a pathway to sustainable development (Pandey et al., 2022). In addition, urbanization can also exacerbate income inequality, as seen in China, where the development of transport infrastructure such as high-speed rail has widened the income gap between urban and rural areas, especially in smaller, less developed cities (Xu & Zhu, 2023). However, well-managed transport infrastructure can reduce income inequality and have positive impacts on the economy (Chanieabate et al., 2023). Urbanization also has the potential to worsen health conditions and poverty in urban areas, especially in developing countries, where poor populations often face greater health challenges due to poor environmental conditions (Kumar, 2019).

In terms of infrastructure development, good urban infrastructure is essential to improve social cohesion, environmental resilience, and housing quality, with access to education playing a key role in improving the quality of life in urban areas (Telaumbanua et al., 2024). Well-developed transport infrastructure can reduce the gap between urban and rural areas (Chanieabate et al., 2023). Overall, although urbanization can exacerbate social and infrastructure gaps, proper management can make urban infrastructure a tool to reduce inequality and improve quality of life.

METHOD

This qualitative research aims to understand the socio-economic dynamics in Malang City, especially changes in economic structure and the impact of urbanization on society. The research method



used is a case study with a descriptive-qualitative approach. Data collection was carried out through in-depth interviews with key informants, such as government officials, business actors, and local residents affected by urbanization. In addition, direct observation was carried out to see the socio-economic conditions in several areas of Malang City that have experienced significant changes. Data were also obtained from official documents, such as regional economic statistics reports and regulations related to urbanization.

After the data was collected, data analysis was carried out using thematic analysis techniques, where the data was categorized into main themes related to economic change, the role of the tourism sector, and the impact of urbanization. Researchers used data triangulation to ensure the validity of the results, by comparing data from various sources, such as interview results, observations, and official documents.

Table 1: Research Stages

Research Stages	Method	Instrument	Objective
Data collection	Interview, Observation	Interview guide, Field notes	Exploring information about socio-economic changes and the impact of urbanization
Data analysis	Thematic Analysis	Codes and Categories	Identifying key patterns and themes from the collected data
Data Validation	Source Triangulation	Interview, Document, Observation	Ensuring data consistency and accuracy
Preparation of Reports	Descriptive-Qualitative	Narration and Interpretation	Presenting research findings related to socio-economic dynamics in Malang City

RESULT AND DISCUSSION

This study aims to understand the changes in economic structure and the influence of urbanization on socio-economic dynamics in Malang City. The results of the study based on data obtained through interviews, observations, and analysis of official documents show that Malang City has experienced significant transformation in various economic sectors as a result of rapid urbanization.

1. Changes in the Economic Structure of Malang City

Along with population growth triggered by urbanization, the economic structure of Malang City has shifted from being dominated by the agricultural sector to the trade, services, and tourism sectors. Based on interview data with local government officials, this transformation is driven by government policies that support the development of potential sectors, such as thematic tourism and commercial services.

According to informants from the business community, the trade and services sector is now the main contributor to the Regional Original Income (PAD). Retail stores, wholesale, motor vehicle repairs, and the financial sector have experienced significant increases. Interviews with





business actors in the tourism sector confirmed that the development of culinary and nature tourism destinations has become a magnet for domestic and international tourists, which in turn increases demand for hotel and transportation services.

In field observations conducted in several main trading areas in Malang, it is clear that areas that were previously dominated by agricultural land are now turning into commercial and residential centers. This is supported by data from official documents that show a significant decline in the contribution of the agricultural sector to the local economy, which is replaced by the trade and services sector.

Table 2: shifts in the contribution of economic sectors to Malang City's PAD in recent years

Economic Sector	2015 (%)	2020 (%)	2023 (%)
Agriculture	15%	10%	6%
Trade and Services	35%	40%	50%
Tourist	10%	15%	18%
Transportation and Accommodation	8%	12%	14%
Education	12%	13%	15%
Industry and Construction	20%	10%	8%

This data shows that trade, services and tourism experienced significant growth, while the agricultural and industrial sectors tended to decline.

2. The Impact of Urbanization on Social Dynamics

Urbanization in Malang City not only brings economic changes, but also affects social dynamics in society. Based on interviews with local residents and field observations, there have been changes in social interaction patterns and family structures. The lives of people who used to tend to be traditional are now more modern, with increasing dependence on technology and better accessibility to public services.

Informants from the local government stated that urbanization has increased the demand for urban infrastructure, including housing, transportation, and other public services. The increasing number of productive-age people coming to Malang City to seek employment and education has created challenges related to the provision of adequate employment opportunities. Observations in new housing areas show a significant increase in population, especially in areas close to educational centers and industrial areas.

In addition, interviews with residents showed that urbanization also has a negative impact in the form of increasing social inequality. Many newcomers come to work, but only a few of them have skills that match the needs of the modern job market, which worsens unemployment rates. Observations in several areas show a striking difference between areas with developed infrastructure and slums that lack basic facilities.

3. Challenges and Opportunities of Urbanization

The main challenges identified in the study were social inequality and limited urban infrastructure. Interviews with government officials and entrepreneurs showed that the need for infrastructure improvements, such as roads, clean water, and public transportation, is becoming

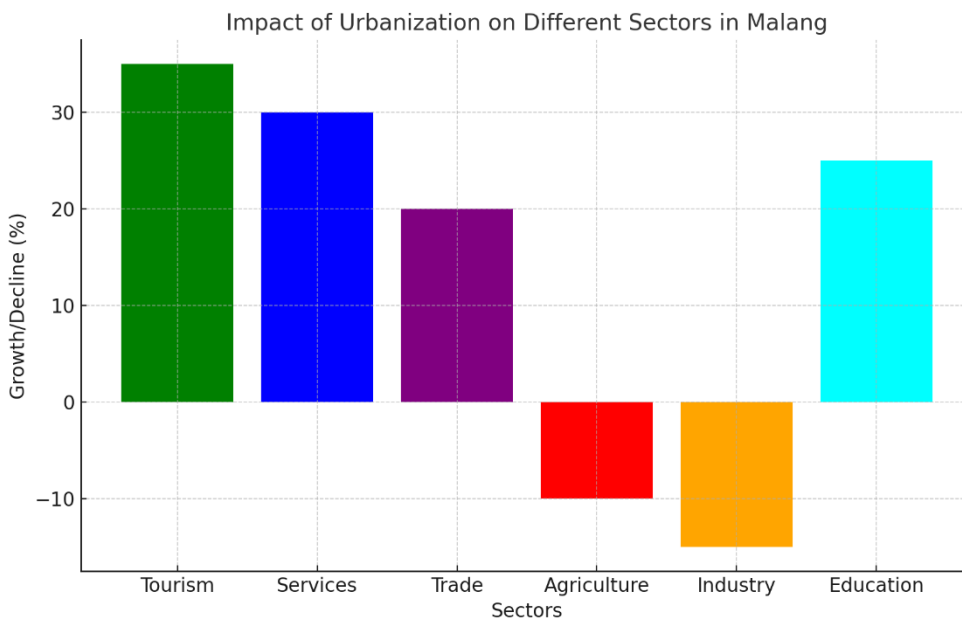


increasingly urgent. Rapid urbanization is also putting pressure on public services such as health and education.

Based on data from official documents, Malang City is trying to face this challenge through sustainable development policies. One of the ongoing programs is the development of thematic villages which are expected to help reduce the gap between the city center and the outskirts. This development is also expected to increase local tourism potential, which will ultimately improve the economy in these areas.

In addition to challenges, urbanization also opens up great opportunities for the development of the tourism sector and creative industries. Interviews with tourism industry players show that the development of thematic and culinary tourism has had a positive impact on the local economy. Based on field observations, new tourist areas such as town squares and culinary centers show a significant increase in the number of visitors.

Diagram 1: Impact of Urbanization on Several Sectors in Malang City



This diagram shows that the tourism and services sectors experienced the greatest growth as a result of urbanization, while the agricultural sector continued to decline.

4. Policy Implications and Conclusions

This study shows that urbanization in Malang City brings major changes in economic structure and social dynamics. Although it has a positive impact in terms of growth in the trade, services, and tourism sectors, urbanization also raises new challenges such as social inequality and pressure on infrastructure.





Based on the research findings, it is important for the Malang City government to continue investing in infrastructure development and create policies that support the development of local workforce skills. In addition, the development of thematic villages and tourism areas needs to be optimized to improve the local economy, especially in the outskirts. Thus, Malang City can face the challenges of urbanization in a more inclusive and sustainable manner.

Discussion

In the context of socio-economic dynamics in Malang City, there is a close relationship between the introduction, literature review, and research results that show significant transformations in the economic structure due to urbanization. The introduction identifies the challenges and opportunities faced by Malang City, including social inequality, unemployment, and pressure on infrastructure. Rapid urbanization, although bringing challenges, also opens up new opportunities, especially in the tourism and creative industry sectors. This is in line with the findings in the literature review which explain that urbanization can increase productivity and income, but can also worsen social inequality and health problems (Bloom et al., 2008; Kuddus et al., 2020).

The literature review provides a theoretical framework underlying this analysis, emphasizing that urbanization plays a significant role in economic development by driving the complexity of productive structures. In Malang City, the shift from the agricultural sector to the trade, services, and tourism sectors reflects this phenomenon. Research shows that workers in urban areas are generally more productive and have higher incomes compared to those in rural areas, thanks to larger economies of scale (Di Clemente et al., 2020). However, the challenges faced, such as the mismatch between graduates' skills and labor market needs, indicate the need to adjust the education curriculum to support the development of local industries (Rusdianti & Ainun, 2024).

The results of the study show that Malang City has experienced significant transformation in various economic sectors as a result of rapid urbanization. The tourism and service sectors experienced the largest growth, while the agricultural sector continued to decline. This is in line with the findings stating that the development of thematic villages and tourist areas can help reduce the gap between the city center and the suburbs. In addition, interviews with tourism industry players showed that the development of thematic and culinary tourism has had a positive impact on the local economy, reflecting the great potential of this sector.

However, despite the opportunities, challenges remain. Social disparities and pressure on infrastructure are pressing issues. Interviews with government officials and entrepreneurs show that the need for infrastructure improvements, such as roads, clean water, and public transportation, is increasingly urgent. Therefore, it is important for the Malang City government to continue investing in infrastructure development and create policies that support the development of local workforce skills. This is in line with recommendations in the literature review that emphasize the importance of investment in inter-regional infrastructure and fiscal decentralization to manage urbanization more equitably (Chaniebate et al., 2023).

Overall, this analysis shows that although urbanization in Malang City brings major changes in economic structure and social dynamics, the challenges faced require serious attention. By optimizing the development of thematic villages and tourism areas, as well as improving infrastructure and workforce skills, Malang City can take advantage of existing opportunities to improve the quality of life of the





community and the regional economy. This study provides valuable insights for policy makers and stakeholders in formulating effective strategies to face the challenges and take advantage of the opportunities offered by urbanization.

CONCLUSION

The conclusion of the analysis of socio-economic dynamics in Malang City shows that urbanization has brought significant changes in the economic structure and people's lives. The shift from the agricultural sector to the trade, services, and tourism sectors reflects the positive impact of urbanization in increasing productivity and community income. The tourism sector, in particular, shows rapid growth, contributing to the local economy and creating new job opportunities. However, challenges such as social inequality, pressure on infrastructure, and the mismatch of workforce skills with market needs remain issues that need to be addressed. It is important for the Malang City government to invest in infrastructure development and create policies that support the improvement of local workforce skills. The development of thematic villages and tourism areas also needs to be optimized to reduce the gap between the city center and the outskirts. With the right approach, Malang City can take advantage of the opportunities offered by urbanization to improve the quality of life of the community and the regional economy as a whole. This study provides valuable insights for policy makers and stakeholders in formulating effective strategies to face challenges and utilize existing potentials amidst the ever-growing socio-economic dynamics.

Recommendation

Based on the analysis of socio-economic dynamics in Malang City, here are two recommendations that can be implemented:

1. Sustainable Infrastructure Development

The Malang City Government needs to focus on sustainable infrastructure development, including road repairs, clean water provision, and efficient public transportation. Investment in infrastructure will not only support economic growth but also improve the quality of life of the community. Development programs must consider the needs of the suburbs to reduce the gap between the city center and the area. In addition, the application of environmentally friendly technology in infrastructure development can help create a more sustainable city.

2. Workforce Skills Enhancement

To address the mismatch between workforce skills and market needs, it is important for the government and educational institutions to revitalize the vocational education





curriculum. Training programs relevant to local industries should be introduced to improve workforce skills and competitiveness. Cooperation between the education sector and industry also needs to be strengthened to ensure that graduates have skills that match market demand. Thus, unemployment can be minimized, and the community can be better prepared to face existing economic challenges.

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