

ANALYSIS OF LOCAL ECONOMIC POTENTIAL AND COMPETITIVENESS ECONOMIC SECTOR IN IMPROVING LOCAL ECONOMIC DEVELOPMENT (Study In Batu City)

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Abstract: Analysis of Local Economic Potential and Competitiveness Economic Sector in Improving Local Economic Development. Batu as the youngest autonomy region in East Java, is one of the city that formed in 2001 as a breakaway from Malang Regency. Since 2006-2010 Batu is a city which has faster economic growth compared to East Java and its *PDRB* per capita is lower than the average of *PDRB* per capita of East Java. Moreover, from this point of view, the researcher aims to analyze the best sector (superior potential) and competitive potency of Batu which able to support its economic development. The purpose of this study is to analyze and describe the superior potential and competitiveness sector in 2007-2010 period and the contribution of superior sector to *PAD* Batu City. This study uses qualitative and quantitative approach. After using quantitative approach, the researcher will continue the analysis using qualitative approach as a supporting method for the previous one. For quantitative analysis, the researcher uses analytical tools such as Location Quotient (LQ) and Shift Share (SS) method. For qualitative analysis, the researcher use descriptive qualitative approach. The results of this study are Batu has three superior sector during 2007-2010, there are services sector; trade, hotel and restaurant sector; and agriculture sector. The competitiveness sector are trade, hotel and restaurant sector; services sector and construction sector. The superior sector that contributed to *PAD* are services, hotel and restaurant sector. Agriculture sector since 2007-2011 not became competitiveness sector and indirectly has contribution to *PAD*. The suggestions to develop agriculture sector which begins to drop its production and empower the people who work in each sectors especially in agriculture.

Keywords: LQSS, Potential Sector, Competitiveness Sector, PAD

Abstrak: Analisis Potensi Ekonomi Daerah dan Sektor Ekonomi yang Berdaya Saing dalam Meningkatkan Pembangunan Ekonomi Daerah. Batu sebagai daerah otonomi termuda di Jawa Timur, merupakan salah satu kota yang dibentuk pada tahun 2001 sebagai pecahan dari Kabupaten Malang. Sejak 2006-2010 Batu adalah sebuah kota yang memiliki pertumbuhan ekonomi yang lebih cepat dibandingkan dengan Jawa Timur dan PDRB perkapitanya lebih rendah dari rata-rata PDRB perkapita Jawa Timur. Selain itu, dari sudut pandang ini, peneliti bertujuan untuk menganalisis sektor terbaik (potensi unggulan) dan potensi yang berdaya saing di Kota Batu yang dapat mendukung tujuan pembangunan. Tujuan dari penelitian ini adalah untuk menganalisis dan menggambarkan potensi unggul dan daya saing dalam sektor periode 2007-2010 dan kontribusi sektor unggulan terhadap PAD Kota Batu. Penelitian ini menggunakan pendekatan kualitatif dan kuantitatif. Setelah menggunakan pendekatan kuantitatif, peneliti akan melanjutkan analisis dengan menggunakan pendekatan kualitatif sebagai metode pendukung yang sebelumnya. Untuk analisis kuantitatif, peneliti menggunakan alat analisis dengan metode Location Quotient (LQ) dan shift Share (SS). Untuk analisis kualitatif, peneliti menggunakan pendekatan kualitatif deskriptif. Hasil penelitian ini, Batu memiliki tiga sektor unggulan selama 2007-2010, yaitu sektor jasa-jasa; sektor perdagangan, hotel dan restoran; dan pertanian. Sektor yang berdaya saing adalah sektor perdagangan, hotel dan restoran; sektor jasa dan sektor bangunan/konstruksi. Sektor unggulan yang memberikan kontribusi terhadap PAD adalah jasa-jasa, hotel dan sektor restoran. Sektor pertanian sejak 2007-2011 tidak menjadi sektor saing dan secara tidak langsung memiliki kontribusi terhadap PAD. Saran untuk mengembangkan sektor pertanian yang mulai turun produksinya dan orang-orang yang bekerja di setiap sektor terutama di bidang pertanian.

Kata Kunci: LQSS, Sektor Unggulan, Sektor yang Berdaya Saing, PAD

Introduction

Generally, the economic activity in Indonesia reflected by Gross Regional Domestic Product (*PDRB*). According by Sanusi (2003: h.41), "Gross regional domestic product is the basic of added the measurement value that growth from kind of economic activity in the region". In improving of region competitiveness required economic sectors that the region basic to increase society income. Batu City Government formed since Batu became autonomy region based on Law No. 11 in 2001 about Establishment of Batu City (*Rencana Kerja BAPPEDA Kota Batu, 2012: h.8*). Batu as the youngest autonomy region in East Java, is one of the city that formed in 2001 as a breakaway from Malang Regency. Over the last 5 years (2006-2010), Batu include on category of district/city that economy growth faster than East Java, but the *PDRB* per-capita lower than *PDRB* per-capita average East Java Province (*LKPJ Gubernur Jawa Timur tahun 2010*).

To accelerate local economic development in order to increase social welfare and local competitiveness, economy development can be developed through development of potential economic sector that become local superior. Generally potential of local economy superior is sector that become main commodity have the highest development for giving big contribution in *PDRB* and increased of Local Revenue (*PAD*). Superior economy potential analysis is very important in the development planning and development implementation both in local level and regional level. The development based on superior economy potential can also be used to support local competitiveness and support the largest economy in the area.

Theoretical Review

1. Economic Development and Economic Growth

a. Economic Development

According to Djojohadikusumo (1994: h.2), "Development is a transformation in terms of structural change, which is: change in society's economic structure including

changes in the balances of embedded condition in the basic economic activities and the form of the economic structure". Human resource is the main factor affecting the economic development, which is also supported by natural resources, science and technology, and the existing production capacity in the area.

b. Economic Growth

Economic development in its limited definition, is the rise of production and income, can takes place without the materialized development (Djojohadikusumo, 1994, h.2). The productions discussed is the products of a region with economic values that later can be sold to be the regional income. On the other hand, the economic development in broad definition must include the growth (as on the main characteristics in development process) (Djojohadikusumo, 1994: h.3). It can be seen from the growth rate of the citizen which becomes greater and needs more development to provide service to society.

2. Local Revenue (*PAD*)

From existing revenues, there is a correlation between the *PAD* with growing sectors in a region. According to Saragih, "many *PAD* depends on local economic growth (*PDRB*) as seen from the total of investment in a region" (Saragih, 2003: h.55). Then Saragih explained, "Because *PAD* is highly dependent on how far the region could boost economic growth (*PDRB*). If *PDRB* increases, then this would indicate can push *PAD* increased. Believed that there is a correlation between economic growth (*PDRB*) and local reception from taxes and retribution" (Saragih, 2003: h.58).

Research Method

1. Reseach Type

In this research, the types of research used are qualitative and quantitative research. Quantitative and qualitative research approach is "A combined research method involving

collecting or analysis of quantitative and/or qualitative data in a single research of which the data is collected at the same time or in a series, get priority and involve combination of data in a level or more in a research” Tashakkori and Teddlie (2010: h.191).

In a quantitative analysis, researcher uses analysis tool called Location Quotient (LQ) and Shift Share (SS). The function of analyzing LQ is to find out the superior sector of a region by comparing it with the higher level region in certain period. While, SS analysis is used to analyse and find out the shift and roles of regional economy by compare the same sectors with a higher level in region or nation level. This research uses continuous variable which is taken from time series data which is going to be analyzed using Location Quotient and Shift Share (LQSS) research method. Researcher uses the period since 2007 until 2011.

PDRB data above then become the data of quantitative research analysis. LQSS analysis uses the comparison between Batu City *PDRB* with East Java Province *PDRB*. To analyze the leading sectors of a region, a formula is needed to calculate it, namely:

$$\text{Formula } LQ = \frac{x_{ir}/x_r}{x_{in}/x_n}$$

The formula used to calculate shift share analysis is in the following.

$$\text{Formula: } D_{ij} = N_{ij} + M_{ij} + C_{ij}$$

In this second stage, qualitative descriptive research is used as contribution analysis of economic potential and economic competitive value to economic development. This research then used descriptive approach to describe the process and result of research in a more detailed and elaborated manner.

2. Research Focus

The focus of the research in this under graduate thesis is the contribution of regional leading economic potential and its competitive value in regional net income of Batu City.

3. Research Location

Researcher took a location in Batu City. While the site is the Regional Development Planning Board (*BAPPEDA*) of Kota Batu and Regional Income Agency (*DISPENDA*) of Batu City.

4. Source and Data Collection

The type of data used is primary and secondary data. Primary data is obtained from interview and documentation. The data collection techniques used in this research are interview and documentation.

5. Data Analysis Technique

The data analysis technique used LQSS method and in this research is interactive analysis model method there are data collection process, data presentation, data reduction and conclusion.

Discussion

1. Superior Potential and Economy Competitiveness Batu City in 2007-2011

a. Economy Superior Potential in 2007-2011

Location Quotient Average Analysis Result Batu City in 2007-2011

No.	Sector	LQ					LQ Average
		2007	2008	2009	2010	2011	
1.	Agriculture	1,22	1,18	1,14	1,15	1,16	1,17
2.	Mining and quarrying	0,10	0,09	0,09	0,10	0,09	0,09
3.	Manufacturing	0,26	0,26	0,26	0,25	0,24	0,25
4.	Electricity, gas and water supply	0,84	0,84	1,01	0,96	0,97	0,92
5.	Construction	0,51	0,54	0,47	0,40	0,43	0,47
6.	Trade, hotel and restaurant	1,59	1,58	1,67	1,65	1,63	1,62
7.	Transportation and communication	0,63	0,66	0,62	0,63	0,60	0,63
8.	Banking and other intermediaries	0,95	0,92	0,88	0,80	0,79	0,87
9.	Services	1,82	1,85	1,69	1,81	1,84	1,80

Source: Data Processed

During 2007 until 2011 the sector that becomes a superior potential in Batu are services sector (the value is 1,80); trade, hotel and restaurant (the value is 1,62); and agriculture (the value is 1,17). While the sector is not to be the superior sector are mining and quarrying (the value is 0,09); manufacturing industry (the value is 0,25); electricity and water supply (the value is 0,92); construction (the value is 0,47); transportation and communication (the value is 0,63); banking and other intermediaries (the value is 0,87).

b. Economy Competitiveness Potential in 2007-2011

Shift Share Average Analysis Result Batu City in 2007-2011

No.	Sector	National Share (NS)	Proportional Shift (P)	Competitive Position (C)		Regional Growth (RS)
				Rate	Sequence	
1.	Agriculture	65,169,83	-11,791,84	-2,089,29	8	51,288,69
2.	Mining and quarrying	692,07	85,51	163,65	5	941,22
3.	Manufacturing industry	24,748,90	-3,099,46	-2,997,46	9	18,651,98
4.	Electricity, gas and water supply	5,266,01	-2,950,92	-412,31	7	1,902,77
5.	Construction	6,109,59	4,619,09	3,934,05	3	14,662,72
6.	Trade, hotel and restaurant	161,535,11	16,709,24	61,604,82	1	239,849,17
7.	Transportation and communication	11,916,10	824,02	1,657,38	4	14,397,49
8.	Banking and other financial intermediaries	14,323,98	1,891,03	-243,50	6	15,971,50
9.	Services	52,215,02	4,061,88	18,727,53	2	75,004,43
	Total	341,976,60	10,348,53			432,669,98

Source: Data Processed

The average shift analysis in economic sector in Batu of 2007-2011 period based on the determinant components, then the analysis result are as follows:

1. National Share

The absolute economic growth average in 2007-2011 period has a greater value than the growth in East Java Province, the value is 412.047,62 million rupiah, while the growth effect in East Java only 341.976,60 million rupiah. May mean that the growing influence in the East Java Province positively have economic growth impact in Batu for five years (2007-2011).

2. Proportional Shift

Seen from these sectors compared to the provincial sector is the sector that have faster economic growth than in the province, are mining and quarrying (the value is 85,51); construction (the value is 4.619,09); trade, hotel and restaurant (the value is 16.709,24); transportation and communication (the value is 824,02); banking and other intermediaries (the value is 1.891,03); and services (the value is 4.061,88). While the sector that has slower economic growth than in the province are agriculture sector (the value is -11.791,84); manufacturing industry (the value is -3.099,46); and electricity and water supply (the value is -2.950,92).

3. Differential Shift

Highly competitive sector has a high value analysis results. During 2007-

2011 the Batu region's economic competitiveness sequence Batu are (1) trade, hotel and restaurant (the value is 61.604,82); (2) services (the value is 18.727,53); (3) construction (the value is 3.934,05); (4) transportation and communication (the value is 1.657,38); (5) mining and quarrying (the value is 163,65); (6) banking and other intermediaries (the value is 243,50); (7) electricity and water supply (the value is -412,31); (8) agriculture (the value is -2.089,29); (9) manufacturing industry (the value is -2.997,46).

2. Superior Potential and Economy Competitiveness Contribution in Local Revenue (PAD) Batu City

1. Services Sector Contribution in PAD

PAD realization on services sector from services tax are entertainment tax and parking tax. PAD realization from services retribution includes public service retribution and definite licensing retribution. agility game; massage institution/relaxation; fitness centre; sport competition; tour place; and VCD rental. PAD acceptance from other services is the parking tax. Acceptance revenue from public service retribution include health services retribution, waste/cleanliness retribution, ID card and birth certificate cost replacement, market services retribution and vehicle examining contribution. The acceptance from definite licensing retribution include building license, disturbance/noise license, track license, industry and trading license, IPPT, tourism business permanent license, construction license, location license, changing statue license from wet land to dry land, building on public waterway, underground water annexation.

2. Trade, Hotel and Restaurant Sector Contribution in *PAD*

Realization local tax contribution revenue trade, hotel and restaurant sector got tax contribution from hotel tax and restaurant tax.

3. Agriculture Sector Contribution in *PAD*

The agriculture sector in *PDRB* according to the division is divided into five sub-sectors there are food crops sub-sector, estate agriculture, livestock, forestry and fisheries. The agricultural sector has a strategic role in the economy because around 40% of people in Batu dependent on this sector.

Generally, taxes contribute and retribution contribute to *PAD* Batu did not contribute directly. The agricultural sector contribution is obtained from the economic rotate in the agriculture sector, for example in the fish market retribution and services market retribution. Batu City society cultivation activities in the their own field and estate. In coordinating the economic movement implementation, farmers in Batu formed small communities in the village form of self-help (*swadaya*).

While the agricultural sector is the sector receiving the most workers in Batu accordance with natural conditions and environment Batu. Accordance with the opinion Arsyad (1999: h.108), “the main problem in regional development is located in the development policies emphasis of endogenous development) by using the human resources, institutional, and local physical resources”. Batu agriculture has the potential to develop both technology and production. Many obstacles that hinder the increase of agricultural production affecting small contribution to *PDRB*. Many farmers in Batu still use and

agricultural activities in the traditional way.

According to Weider quoted by Syafiie (2006: h.99), “development administration is an accompanying process to achieve the peak of the development goals, it is the administration implementation and integrating container the easiness of development achieving objectives”. In accordance with the concept of development administration, Batugovernment pursue implementation of development programs through various sectors to achieve physical development, social and community. Therefore the construction sector in Batu is a competitive sector in East Java. Many public facilities are provided to give comfort to the people. For example, the provision and development of the concept of the square Batu interesting.

Fluctuations in the economy in the Batu City can be seen from the large contribution of economic sectors to *PDRB* and to revenue. Widodo said, “One of the important indicators for understanding the economic condition of a region in a particular period is the Gross Regional Domestic Product (*PDRB*) data, based on the current price and constant price” (Widodo, 2006: h.78). Batu City is one of the city which have a very rapid economic growth. From the research that researchers do, economic growth in Batu greatly contribute to local revenues. Sectors that contribute directly to *PAD* in Batuis the services sector especially in entertainment and culture (tourism) sector, hotel, and restaurant sectors.

Conclusion

Based on the research result and discussion, the conclusions are:

1. The three main local economy potential in Batu are services sector; trade, hotel and restaurant sector; and agriculture sector. While the three main local

- economy potential Batu that have competitive in East Java Province are trade, hotel and restaurant sector; services sector; and construction sector.
2. The acceptance of the services sector contribution Batu from the tax revenue are from entertainment tax and parking tax. Acceptance of the services sector contribution Batu from retribution revenue are public service retribution and definite licensing retribution.
 3. The acceptance of trade, hotel and restaurant contribution Batu from taxes are hotel tax and restaurant tax.
 4. The agriculture sector contribution to *PADBatu* City is not so significant. This is because agricultural production is done in the farmers land themselves and the harvest selling activity is done on an individual. But the distribution of these harvest that can contribute to *PAD* Batu City. Where people sell and unloading is one of the impact contribution from agricultural sector.
 5. From the analysis of economic potential and competitiveness expected to be a lesson for other researchers in other areas of analysis that the better synergy among the areas in East Java.

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