

Analysis of Economic Sector Potential in East Kutai District

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Abstract. The aim of this research is to identify and analyze the economic potential of the base sector so that economic growth in East Kutai Regency can increase. Classification of economic sectors that have advantages and potential and can be developed to boost economic growth in East Kutai Regency. An overview of the pattern and structure of economic growth in East Kutai Regency. This research uses quantitative secondary data. The approach used is the Location Quotient (LQ) analysis tool to identify economic sectors that are the base sectors, Shift Share analysis to identify economic sectors that have the potential to become leading sectors and Klassen Typology analysis to identify a picture of the pattern and structure of economic growth to support economic development and regional development in East Kutai Regency. The research results show that during the research period, namely from 2013 to 2022, the mining and quarrying sector still dominates the economic structure of East Kutai Regency with the contribution of this sector to the total GRDP of 83.37%. The Mining and Quarrying sector in East Kutai Regency is a basic sector, so changes in GRDP growth or policy changes in the mining and quarrying sector are believed to have an impact on the formation of GRDP as a whole and besides that, this sector also has competitive advantages and is included in the fast-growing sector. and grow fast. East Kutai Regency in 2013-2022 shows that there are eight economic sectors that have a negative sign ($PP_{ij} < 0$) or slow growth, namely the Agriculture, Forestry and Fisheries sectors amounting to Rp. – 53,630.94,-, Processing Industry sector Rp. – 117,477.84,-, Transportation and Warehousing sector Rp. – 24,119.22,-, Financial Services sector Rp. – 2,233.09, Real Estate sector Rp. – 10,176.60, Corporate Services sector Rp. – 1,288.94, Government Administration, Land and Mandatory Social Security sectors amounting to Rp. – 4,012.91, Education Services sector Rp. – 7,759.64,-. This happens because at the provincial level the growth of these sectors has slowed down, resulting in a slow growth impact on the same sectors in East Kutai Regency.

Keywords: Economic Potential, GRDP, East Kutai District.

INTRODUCTION

In the current era of globalization, where everything is required to move quickly in order to encourage economic activity to develop without limits. Economic transactions do not only occur on a regional, national or even international scale. In response to all of this, the context of economic growth cannot be simply ignored and of course economic development is closely related to economic growth.

Economic growth is defined as an increase in Gross Domestic Product (GDP) regardless of whether the increase is greater or smaller than the population growth rate, or whether changes in the economic structure occur or not. However, economists generally give the same meaning to

both terms. Economists generally define economic growth or development as an increase in Gross Domestic Product (GDP) or Gross National Product (GNP) only. In more general usage, the term economic development is usually used to express economic development in developing countries (Sukirno; 2006:14).

Economic conditions in general have a direct influence on the condition of society at large, the better the economic conditions, the more opportunities there will be for people to improve their welfare. This can be interpreted as saying that a good level of social welfare can provide a good general picture of the economy at a certain time. The leading sector is a reflection of an economic structure, so it can also be seen as one of the defining aspects or characteristics of an economy. Economic development in the regions is generally focused on economic development through economic growth efforts.

The economic development of East Kutai Regency cannot be separated from the influence of the global, national and provincial economy as well as the contribution of the economic structure that supports it. East Kutai Regency is very rich in coal mining products. The contribution of the coal mining sector has dominated the GRDP value over the last few years. Based on data on the development of East Kutai Regency's GRDP, the contribution of the coal mining sector in East Kutai Regency dominates the GRDP value.

By looking at the economic development of East Kutai Regency through a description of economic structure and growth, it appears that currently mining and quarrying sector activities are still the focus of the East Kutai Regency area. To increase economic growth, there must be effectiveness and efficiency in economic development, so the implementation of economic development needs to be directed at sectors that are capable of providing a large multiplier effect on other sectors and the economy as a whole. It is not enough to just look at the structure and economic growth, but the economic capacity (potential) of a region should be identified in order to look for alternative driving sectors.

Development of the economic sector with reference to leading sectors, apart from having an impact on accelerating economic growth, will also have an impact on fundamental changes in the economic structure. A leading sector is a sector whose current existence has played a major role in the economic development of a region, because it has advantages. Furthermore, this factor develops further through investment activities and becomes the basis of economic activity. This is based on how big a role the sector plays in the regional economy. East Kutai Regency itself has

regional supporting economic sectors, both in the basic and non-basic sectors, which between one sector and another have the potential to become the main sector of the region and of course the fluctuating economic growth is a consideration for these sectors having an influence on economic growth. The mining and quarrying sector, the agricultural, forestry and fisheries sector as well as the processing industry sector are sectors that play a major role in the economic growth of East Kutai Regency.

Regional development policy is basically a government decision and intervention, both nationally and regionally, to encourage the overall regional development process. This analysis is very important to accelerate regional economic growth, increase the provision of employment opportunities and reduce poverty in underdeveloped areas. This is necessary to be able to improve the regional development process and at the same time to be able to improve the welfare of the local community.

Research on economic potential in the form of leading sectors is very necessary for the development of future development, especially in the implementation of regional autonomy where regional expansion occurs which has an impact on changes in the potential and resources possessed by each region.

LITERATURE REVIEW

Development of Regional Economic Potential

In connection with the development reform period, the Regional Autonomy Law was issued. Included in the meaning of the Regional Autonomy Law are Law Number 32 of 2004 concerning Regional Government and Law Number 33 of 2004 concerning Financial Balance between the Central and Regional Governments. As a consequence of these two laws, like it or not, regional governments must strive to increase their ability to increase original regional income so that they will continue to be able to guarantee the regional government system and all political, social and economic life.

Regional original income mainly takes the form of regional taxes and regional levies. The size of regional tax revenues depends on the number and type of regional tax objects, tax rates and the regional tax base. Regional tax and levy rates depend on the will of the regional government to set them with a maximum limit determined by law; However, the number and types of tax objects and the regional tax base will depend on local economic conditions. If the regional

economy becomes more advanced, there will be more types and tax objects that can be subject to regional taxes and levies. In other words, in order for original regional income in the form of regional taxes and levies to increase, like it or not, the economy of the region concerned must be encouraged so that it can also develop rapidly.

Regional Economic Growth

Economic growth is an important element in regional development. An increase in the economy in a region indicates that there is development in that region. However, economics is not the only aspect of development. The economy in a region is said to experience growth or development if the physical amount of goods and services produced by the economy increases compared to the previous year. The region referred to here can be in the form of a province, district or city. To see the increase in the number of goods produced, the influence changes in prices in the value of regional income in various years must be eliminated, namely by calculating regional income based on constant prices (Widodo, 2006:24).

Basic and Non-Basic Economics

The economic base theory put forward by John Glasson (1987), explains that there is a link between the economic sectors in a region and the driving forces of one sector on another sector, either directly or indirectly. According to John Glasson, the regional economy can be divided into two sectors, namely basic activities and non-basic activities. Basic activities are economic activities that produce goods and services, and sell or market the products outside the region, while non-basic economic activities are economic activities that provide goods and services. services for the needs of the community in the economic area in the area concerned only. This means that non-based economic activities do not produce products for export outside the region. Therefore, their production scope and marketing area are still local.

Leading Sector

A leading sector of the economy is a sector that has high resilience and capability so that it can be used as a foundation for hopes for economic development. Leading sectors are the backbone and driving force of the economy, so they can also be called key sectors or leading sectors of a region's economy. Thus, the leading sector is a reflection of an economic structure, so it can also be seen as one of the defining aspects or characteristics of an economy (Ministry of Agriculture, 2005). Current economic policy development is directed at leading economic sectors that are closely related to the interests of the wider community and are related to community potential and

are at the same time compatible with local economic resources. The role of the leading sector is increasingly strategic, because it is a sector that is able to make a significant contribution to foreign exchange earnings.

Gross Regional Domestic Product (GRDP)

One of the most important macroeconomic indicators to determine the economic conditions in an area for a certain period is Gross Regional Domestic Product (GRDP). Gross Regional Domestic Product (GRDP) is basically the amount of added value produced by all business units in a certain area, or the total value of final goods and services produced by all economic units.

According to Sukirno (2013:34) in his book introductory macroeconomic theory, Gross Domestic Product (GDP) can be interpreted as the value of goods and services produced within a country in a particular year. Gross Domestic Product or in English Gross Domestic Product (GDP) is the value of goods and services in a country produced by production factors belonging to citizens and foreign countries. (Sukirno, 2013:35) Gross Domestic Product at current prices can be used to see economic shifts and structure, while constant prices are used to determine economic growth from year to year. National income at current prices is the value of goods and services produced by a country in one year and is valued according to the prices prevailing in that year. Meanwhile, fixed prices are prices that apply in a particular year which are then used to assess goods and services produced in other years.

RESEARCH METHODS

Types of research

This research uses quantitative secondary data. Quantitative research methods are a type of research whose specifications are systematic, planned and clearly structured from the start until the creation of the research design. Quantitative research methods, as stated by Sugiyono (2011: 8), namely: "Research/research methods based on the philosophy of positivism, used to research certain populations or samples, data collection using research instruments, quantitative/statistical data analysis, with the aim of to test predetermined hypotheses".

This research uses an approach with the Location Quotient (LQ) analysis tool to identify economic sectors that are the base sectors, Shift Share analysis to identify economic sectors that have the potential to become leading sectors and Klassen Typology analysis to identify a picture

of the pattern and structure of economic growth for supporting economic development and regional development in East Kutai Regency.

Data analysis technique

The data analysis technique used in this research is the Economic Analysis Technique and Leading Sub Sectors. Economic analysis aims to understand the characteristics of the economy which include the growth and distribution of economic sectors in the planning area of the regional and national economy. Equal distribution of economic growth between regions. Some of the research carried out in this economic analysis is analysis of economic growth and structure, analysis of development gaps between regions, strategic sector analysis, and analysis techniques/models used. Basically the techniques used in economic analysis are Location Quotient (LQ) analysis, and Shift-Share Analysis and Class Typology.

RESEARCH RESULTS AND DISCUSSION

Location Quotient (LQ) Analysis Results

The base and non-base sectors in East Kutai Regency are measured using Location Quotient or LQ analysis. This technique compares the magnitude of the role of a sector in a region, namely East Kutai Regency, against the magnitude of the role of that sector at the provincial or superior regional level as a reference, namely East Kalimantan Province (Kaltim). The criteria used in LQ analysis are as follows:

1. If the LQ value is greater than 1 ($LQ > 1$), then the sector is categorized as a base sector or export base where the sector is not only able to meet its own or local regional needs, but can also meet the needs of other regions or carry out exports .
2. If the LQ value is smaller than 1 ($LQ < 1$), then the sector is categorized as a non-based sector which is only able to meet its own or local needs.

The results of the LQ analysis calculation for the economic sector in East Kutai Regency are more clearly as follows: Based on the analysis, it is possible to identify sectors which include basic and non-based sectors in the East Kutai Regency area. On average, East Kutai Regency has only had 1 base sector for the last 10 years (2013 – 2022), namely the mining and quarrying sector with an LQ value greater than 1 ($LQ > 1$), which means this sector is included in the base sector in East Kutai Regency. . In increasing economic growth, the value of the economic sector

can reflect economic strength and greatly influence the economy in one's own region and even in other regions.

It can be concluded that apart from the mining and quarrying sector, the other sectors are non-base sectors. These sectors are the agriculture, forestry and fisheries sector (0.96), the processing industry sector (0.13), the electricity and gas procurement sector (0.20), the water procurement, waste management, waste and recycling sector (0.28), Construction sector (0.26), Wholesale and Retail Trade sector; Car and Motorcycle Repair (0.34), Transportation and Warehousing sector (0.35), Accommodation and Food and Drink Provision sector (0.28), Information and Communication sector (0.20), Financial Services sector (0.11), Real Estate sector (0.40), Corporate Services sector (0.34), Government Administration, Defense and Mandatory Social Security sector (0.46), Education Services sector (0.64), Health Services and Social Activities sector (0.25) and the Other Services sector (0.30). The LQ value of the sixteen sectors above shows less than 1 ($LQ < 1$) which is unable to meet the needs within its own region, namely East Kutai Regency.

The base sector is a sector that has a high level of specialization in an area because the contribution of this sector to the formation of total GRDP provides a greater contribution when compared to the contribution of the same sector in other areas at a higher level or is called the reference area.

Based on the results of the analysis above, it can be seen that the economic sector which is the base sector in East Kutai Regency for the period 2013 - 2022 is the mining and quarrying sector. This sector still dominates the economic structure in East Kutai Regency at 83.37 percent.

Shift Share Analysis Results

The above components of Provincial Level Growth (PN), Proportional Growth (PP), Regional Share Growth (PPW) and Net Shift (PB) can be interpreted as follows:

1. Provincial Level Growth Components

The GRDP Growth Value of East Kalimantan Province (PNij), 2013–2022 has influenced the increase in GRDP in East Kutai Regency by IDR. 4,161,111.91,- shows a positive value for all economic sub-sectors, this means that when economic growth at the East Kalimantan Province level is positive, it will also have a positive growth impact for the economic sectors in East Kutai Regency and the economic sector that gets the biggest impact from The economic growth is in the Mining and Quarrying sector, namely Rp.

3,444,137.38,-, this shows that if there is a change in GRDP growth or a change in policy at the provincial level, the mining and quarrying sector will have a very significant impact on its ability to form GRDP.

2. Proportional Growth Component.

This component actually shows the comparison between the growth of each economic sector with total growth at the provincial level and its impact on the growth of the economic sectors below. Overall GRDP in 2013-2022 in East Kutai Regency increased by IDR. 1,401,794.93,-. There are eight economic sectors that have a negative sign ($PP_{ij} < 0$) or slow growth, namely the Agriculture, Forestry and Fisheries sectors amounting to Rp. - 53,630.94,-, Processing Industry sector Rp. - 117,477.84,-, Transportation and Warehousing sector Rp. - 24,119.22,-, Financial Services sector Rp. - 2,233.09, Real Estate sector Rp. - 10,176.60, Corporate Services sector Rp. - 1,288.94, Government Administration, Land and Mandatory Social Security sectors amounting to Rp. - 4,012.91, Education Services sector Rp. - 7,759.64,-. This happens because at the provincial level the growth of these sectors has slowed down, resulting in a slow growth impact on the same sectors in East Kutai Regency.

3. Components of Regional Share Growth (PPW_{ij})

The ratio or component of Regional Share Growth shows the competitiveness of each economic sector at the lower level against the economic sector at the upper level. If $PPW_{ij} > 0$ or has a positive sign (+), then the economic sector has very strong competitiveness against the region above it, and conversely, if it has a negative sign (-) or $PPW_{ij} < 0$, it means the sector does not have competitiveness against the region above it. The influence of this competitiveness causes the aggregate GRDP of East Kutai Regency in 2013–2022 to increase by IDR. 1,670,010.75,-. Based on the calculation results, there are nine sectors in East Kutai Regency that have competitiveness against the same sectors in East Kalimantan Province, namely the Agriculture, Forestry and Fisheries sectors, Mining and Quarrying, Processing Industry, Electricity and Gas Procurement, Transportation and Warehousing, Financial Services, Real Estate, Corporate Services, Educational Services and Health Services and Social Activities ($PPW_{ij} > 0$), while seven other sectors have a negative sign ($PPW_{ij} < 0$) meaning that these economic sectors do not have competitiveness against the same sectors in Kalimantan Province East.

4. Net Shift (PBij)

The net shift value or abbreviated as PB is obtained from the sum of the PPij and PPWij components in each economic sector. This component aims to get a sector with progressive or advanced growth, meaning it really has positive growth (+). From the calculation results, in the period 2013 – 2022, all economic sectors have a positive sign (+) or $PB_{ij} > 0$, where these economic sectors have progressive (positive) growth or are advanced sectors. The largest positive Pb_{ij} value is found in the mining and quarrying sector, namely Rp. 6,540,093.82,-.

Base Sector and Regional Potential Mapping of East Kutai Regency

Based on the results of the analysis, it is known that the economic sector that is the base sector in East Kutai Regency for the period 2013 to 2022 is the mining and quarrying sector. If we look at the amount of contribution given, it can be seen that this sector dominates the economy of East Kutai Regency with a contribution of 83.37 percent and is the center of the mining and quarrying sector in East Kalimantan Province with its main activity being coal mining activities. The mining and quarrying sector in East Kutai Regency is the dominant sector in the sectoral economic structure in 2020 with a share percentage of 77.74 percent and is the first ranked district in East Kalimantan Province which relies on this sector for its economy.

Table 1. Overlay LQ, Shift Share and Tipologi Klassen

No	Sector	<i>Location Quotient (LQ)</i>	<i>Shift Share</i>	<i>Tipologi Klassen</i>
1	Agriculture, Forestry and Fisheries	-	-	-
2	Mining and excavation	+	+	+
3	Processing industry	-	-	-
4	Procurement of Electricity and Gas	-	+	-
5	Water Supply, Waste Management, Waste and Recycling	-	+	-
6	Konstruksi	-	+	-
7	Wholesale and Retail Trade; Car and Motorcycle Repair	-	+	-
8	Transportation and Warehousing	-	-	-
9	Provision of accommodation and food and drink	-	+	-
10	Information and Communication	-	+	-
11	Financial Services	-	-	-
12	Real Estate	-	-	-
13	Company Services	-	-	-

No	Sector	Location Quotient (LQ)	Shift Share	Tipologi Klassen
14	Government Administration, Defense and Mandatory Social Security	-	-	-
15	Education Services	-	-	-
16	Health Services and Social Activities	-	+	-
17	Other Services	-	+	-

Source: data processed 2024

The classification results of the 3 analytical tools used as shown in Table 1 can identify the economic sectors that really have the most prominent potential and become leading sectors so that they can become the economic drivers of East Kutai Regency because they have potential both in terms of growth and contribution. East Kutai Regency does not have a leading sector but has a base sector and a sector that is advanced and growing rapidly (developed sector), namely the mining and quarrying sector.

The dominance of the mining and quarrying sector in East Kutai Regency is very large. This can be seen from the size of the sector's GRDP contribution to the total GRDP of East Kutai Regency and East Kalimantan Province. The mining and quarrying sector is believed to have the ability to become a sector that can meet the needs of many regions. Apart from the basic sector, this sector also has advantages in terms of competing or being competitive, and is also included in the fast-advancing and fast-growing sector.

CONCLUSION

During the observation period, namely from 2013 to 2022, the mining and quarrying sector still dominates the economic structure of East Kutai Regency with the contribution of this sector to total GRDP of 83.37%. The Mining and Quarrying sector in East Kutai Regency is a basic sector, so changes in GRDP growth or policy changes in the mining and quarrying sector are believed to have an impact on the formation of GRDP as a whole and besides that, this sector also has competitive advantages and is included in the fast-growing sector. and grow fast. East Kutai Regency in 2013-2022 shows that there are eight economic sectors that have a negative sign (PPij < 0) or slow growth, namely the Agriculture, Forestry and Fisheries sectors amounting to Rp. – 53,630.94,-, Processing Industry sector Rp. – 117,477.84,-, Transportation and Warehousing sector Rp. – 24,119.22,-, Financial Services sector Rp. – 2,233.09, Real Estate sector Rp. – 10,176.60,

Corporate Services sector Rp. – 1,288.94, Government Administration, Land and Mandatory Social Security sectors amounting to Rp. – 4,012.91, Education Services sector Rp. – 7,759.64,-. This happens because at the provincial level the growth of these sectors has slowed down, resulting in a slow growth impact on the same sectors in East Kutai Regency. The pattern and structure of economic growth in East Kutai Regency, namely, there is one sector that is included in quadrant I or the sector that is advanced and growing rapidly (developed sector), namely the mining and quarrying sector with an average growth rate of 1% and an average distribution of 83.37%. This sector has an average growth rate and average GRDP distribution that is greater than the same sector at the East Kalimantan Province level. In quadrant III there are seven sectors that fall into the category of potential sectors or can still develop (developing sector), these seven sectors are the Processing Industry sector, the Electricity and Gas Procurement sector, the Transportation and Warehousing sector, Financial Services, Real Estate, Corporate Services, and Education Services, where the average GRDP growth in East Kutai Regency is higher and/or the same as and the average GRDP distribution is lower when compared to the same sector at the East Kalimantan Province level. In quadrant IV or relatively underdeveloped sectors, there are nine sectors included, namely the Agriculture, Forestry and Fisheries sectors, the Water Supply sector, Waste Management, Waste and Recycling, the Construction sector, the Wholesale and Retail Trade sector; Car and Motorcycle Repair, Accommodation and Food and Drink Provision sector, Information and Communication sector, Government Administration, Defense and Mandatory Social Security sector, Health Services sector and Social Activities and Other Services. These nine sectors have a lower average growth rate and average GRDP distribution compared to the same sectors at the East Kalimantan Province level. The leading sector in East Kutai Regency to date (research period) indicates that there has been no downstreaming that would create increased added value to the product, making this sector unable to provide a multiplier effect on other sectors.

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