



ECONOMIC POTENTIAL ANALYSIS IN BLITAR REGENCY 2015-2020

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ABSTRACT

This study aims to identify the basic and non-basic economic sectors, determine leading sectors, and analyze sectoral growth patterns in Blitar Regency from 2015 to 2020. The research utilizes a quantitative descriptive approach, drawing on secondary data sources. Techniques employed include Location Quotient (LQ), Dynamic Location Quotient (DLQ), and Klassen Typology. The findings reveal that Blitar Regency has 8 basic sectors and 9 non-basic sectors. Additionally, the LQ and DLQ analysis identifies 7 leading sectors, 9 developing sectors, and 1 potential sector. The Klassen Typology further categorizes the sectors into 3 rapidly growing and advanced sectors, 6 advanced but declining sectors, 2 fast-growing sectors, and 6 underdeveloped sectors.

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1. INTRODUCTION

National development is intrinsically linked to the progress of the economic sector, which is central to improving the welfare of communities across various regions (K.Appiah-Adu & M.Bawumia, 2015). To ensure the successful economic development of a country, it is essential to consider the unique conditions of each area, as regional characteristics, social structures, and local economies differ significantly. Therefore, the true measure of national development lies in the prosperity of each region.

In line with this objective, the Indonesian government has implemented regional autonomy, granting each region the authority to manage its affairs and harness its economic potential (Zein et al., 2022). Blitar Regency, located within East Java Province and centered in Kanigoro District, is one such region endowed with significant economic potential. Covering an area of 1,588.79 square kilometers, Blitar Regency comprises 22 sub-districts, 28 urban villages, and 220 rural villages. With regional autonomy, the Blitar Regency government is encouraged to adopt creative and innovative approaches to regional development. This strategy is designed to engage the community and private sector in supporting government initiatives, thereby accelerating economic growth in the region.

From the Table 1 on the next page, it can be seen that the leading sectors in terms of natural resources and human resources in Blitar Regency can be seen through the Gross Regional Domestic Product (GRDP) of the region. The GRDP data is critical data for analyzing the economic conditions of an area (Dalimunthe, 2017). Leading economic sectors can support and encourage regional economic development and growth based on the criteria of industrial ability to contribute to regional GRDP, according to Darmawansyah (2003). The positive growth rate of GRDP indicates that the economic sector in the region is moving forward and increasing to provide mutual benefits between one economic sector and another (Rai & Anindhita, 2020).

Table 1. PDRB ADHK 2018

	Field of Business	Constant Price 2018
A	Agriculture, Forestry, and Fisheries	7,253,241.77
B	Mining and Quarrying	1,021,979.17
C	Processing Industry	3,351,759.84
D	Electricity and Gas Supply	17,951.07
E	Water Supply, Waste Management, Waste and Recycling	8,859.14
F	Construction	2,317,647.68
G	Wholesale and Retail Trade; Car and Motorcycle Repair	4,574,063.22
H	Transportation and Warehousing	320,055.87
I	Provision of Accommodation and Food and Beverages	244,894.42
J	Information and Communication	1,651,321.78
K	Financial and Insurance Services	544,108.83
L	Real Estate	490,412.69
M, N	Company Services	87,887.82
O	Government Administration, Defense and Compulsory Social Security	806,969.48
P	Education Services	1,013,323.94
Q	Health Services and Social Activities	209,593.76
R, S, T, U	Other Services	372,170.23
	Total	24,286,240.91

Source: Processed Data (2020)

Economic growth is one way to measure the importance of economic development studies in a particular region or area. However, growth does not have to be about development. As explained in the study of economic growth by Kamarudin (2010), in the development process, there are several requirements needed to achieve the goals of economic growth in a region. This economic growth includes notes on increasing the productivity of goods and services nationally. The process of analyzing economic growth can be seen through the long-term per capita growth process (output) (Suicmez, 2015). The growth process produces sustainable strength for the next period

2. RESEARCH METHODS

This research was conducted in Blitar Regency, East Java Province. The author chose this area to find out the leading sectors and economic potential owned by Blitar Regency. This research is expected to be a reference for the Blitar Regency government when making regional policies. The research employs a quantitative descriptive approach, focusing on the collection, analysis, and interpretation of secondary data. The study relies on secondary data, particularly the Gross Regional Domestic Product (GRDP) data for Blitar Regency. The data were obtained from the Blitar Regency's Central Bureau of Statistics (BPS).

LQ is utilized to determine the concentration of particular economic sectors in Blitar Regency relative to a larger reference area, typically the national level. The formula used is:

$$LQ = \frac{X_i/X_k}{Y_i/Y_k} \dots\dots\dots (1)$$

Where as :

- X_i : added value of sector i in an analysis area.
- X_k : Total regional income.
- Y_i : added value of sector i in a national area.
- Y_k : regional/national income

Sectors with $LQ > 1$ have export potential, $LQ < 1$ indicates reliance on imports, and $LQ = 1$ denotes a balanced sector. DLQ measures the change in the economic sector's growth rate over time, providing insights into the leading and lagging sectors within Blitar Regency compared to the province. With this, it can be formulated as follows:

$$DLQ = \left[\frac{(1+G_{ij})/(1+G_j)}{(1+G_{ip})/(1+G_p)} \right] t = \frac{IPPS_j}{IPPS_p} \dots\dots\dots(2)$$

Where as:

- G_{ij} : Share of economic sector growth in Regency/City
- G_j : Share of economic sector growth in Province
- G_{ip} : Average share of economic sector growth in Regency/City
- G_p : Average share of economic sector growth in Province
- t : Initial year and final year

In the analysis of economic sectors within a Regency or City, three key categories emerge based on Location Quotient (LQ) and Dynamic Location Quotient (DLQ) values. The first category is the leading sector, characterized by both LQ and DLQ values greater than 1. This sector plays a prominent role in the local economy, with a growth rate comparable to that of the province's economic sector, signifying its importance and stability within the region. The second category is the potential sector, which also has an LQ greater than 1, indicating its significance in the local economy. However, its DLQ is less than 1, suggesting that while this sector is important, its growth rate is lagging behind that of the same sector at the provincial level, indicating a need for further support to enhance its development.

Finally, the developing sector is identified by an LQ of less than 1, meaning it is not yet a leading sector in the region. However, with a DLQ greater than 1, this sector shows promising growth potential, expanding at a rate faster than the same sector in the province, and may become a leading sector in the future. The Lagging Sector, namely $LQ < 1$ and $DLQ < 1$, means that this sector is a non-superior sector in the Regency/City because the growth rate is slower.

Klassen Typology, which can be seen in the Table 2 on the next page, is an analysis tool used to identify a region's priority or superior sectors, subsectors, businesses, or commodities (Ciptawaty et al., 2020). In the Klassen Typology analysis, regional economic growth is always compared with regional economic growth, which is a reference or national and compares the share of sectors, subsectors, businesses, or commodities of a region with the average value at a higher level or nationally.

Table 2. Klassen Typology Matrix

Average growth rate of sector (x)	Average sector contribution (y)	$Y_i > Y$	$Y_i < Y$
	$X_i > X$	Advanced sector	Growing sector
	$X_i < X$	Potential sectors	Backward sector

Source: Processed data (2020)

Where as:

- Y_i : Average contribution of economic sectors in Regency/City.
- Y : Average contribution of economic sectors in the Province.
- X_i : Average growth rate of economic sectors in Regency/City.
- X : Average growth rate of economic sectors in the Province.

The objectives of the Klassen Typology Analysis are: 1) Regional policies can be prioritized based on the advantages of sectors, subsectors, businesses, or regional commodities, which are the results of Klassen Typology Analysis; 2) It can determine the priority of a region's policies through the position of the district's economy in relation to the provincial economy. It can assess a region in terms of sectors and sub-sectors.

3. RESULTS AND DISCUSSION

Description of Research Object

The identification and development of leading sectors are crucial for formulating effective development policies to accelerate regional economic growth (Widodo Tri, 2006). Blitar Regency, with its unique geographical and demographic features, holds significant potential for such development, which can enhance the welfare of its population.

Economic Conditions

GRDP is one of the indicators used in analyzing economic conditions in a region, one of which is in Blitar Regency (Amalia, 2018). GRDP at Constant Prices (ADHK) in 2010 explains the growth in the value of regional production in the Regency/City without the influence of other factors such as inflation which is calculated based on the base year price of 2010. Blitar Regency, according to GRDP, showed fluctuating changes from 2015 to 2020 (Badan Pusat Statistika Provinsi Jawa Timur, 2021).

From the results of the Location Quention (LQ) analysis, which can be seen in Table 3, it can be seen that there are several basic sectors owned by Blitar Regency (Haydar, 2019; Magisba, 2020; Rahman, 2010; Zahroh, 2020). The BASIS sector can be said if $LQ > 1$. In the Table 3, Blitar Regency has 8 basic sectors, namely the agriculture, forestry, and fisheries sector, the construction sector, the information and communication sector, the real estate sector, the government administration sector, defense and mandatory social security, the education services sector, the health services sector and social activities, and other service sectors (Tristante, 2013). The 8 basic sectors in Blitar Regency, the one with the highest average value in different service sectors with an average value of 4.13.

Blitar Regency has 9 Non-Basic sectors which can be said to have an LQ value < 1 , including the mining and control sector, the processing industry sector, the electricity and gas procurement sector, the water procurement sector, waste management and recycling, the wholesale and retail trade sector; car and motorcycle repair, the transportation and warehousing sector, the food and beverage accommodation provision sector, the financial and insurance services sector, the company services sector. Of the 9 Blitar Regency sectors with NON BASIC criteria, the lowest average value is 0.18 in the food and beverage accommodation provision sector (Jumiyanti, 2018).

Table 3. Location Quotient Results

Category	Description	Average	Code
A	Agriculture, Forestry, and Fisheries	2.78	BASIS
B	Mining and Quarrying	0.81	NON-BASIS
C	Processing Industry	0.46	NON-BASIS
D	Electricity and Gas Supply	0.25	NON-BASIS
E	Water Supply, Waste Management, Waste and Recycling	0.37	NON-BASIS
F	Construction	1.01	BASIS
G	Wholesale and Retail Trade; Car and Motorcycle Repair	1.00	NON-BASIS
H	Transportation and Warehousing	0.44	NON-BASIS
I	Provision of Accommodation and Food and Beverages	0.18	NON-BASIS
J	Information and Communication	1.16	BASIS

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Category	Description	Average	Code
K	Financial and Insurance Services	0.86	NON-BASIS
L	Real Estate	1.15	BASIS
M, N	Company Services	0.46	NON-BASIS
O	Government Administration, Defense and Compulsory Social Security	1.53	BASIS
P	Education Services	1.58	BASIS
Q	Health Services and Social Activities	1.27	BASIS
R,S,T,U	Other Services	4.13	BASIS

Source: Processed data (2020)

From the results of the Dynamic Location Quotient (DLQ) analysis from the Table 4, shows that Blitar Regency has 16 known prospective sectors where the sector has a value of more than 1 ($DLQ > 1$). And has 1 non-prospective sector where the DLQ value is less than 1 ($DLQ < 1$). The sectors are: 1) Sectors that show prospective criteria are: agriculture, forestry, and fisheries sector; mining and excavation sector; manufacturing industry sector; electricity and gas supply sector; water supply sector, waste management and recycled waste, construction sector; wholesale and retail trade sector; car and motorcycle repair, transportation and warehousing sector, food and beverage accommodation provision sector, information and communication sector, financial and insurance services sector, real estate sector, corporate services sector, government administration sector, defense and mandatory social security, education services sector, and health services and social activities sector. where the highest average value is owned by the electricity and gas supply sector, with an average value of 1.14; 2) Sectors that show unpromising criteria are other services with an average value of 0.83.

Table 4. DLQ Results

Category	Description	Average	Code
A	Agriculture, Forestry, and Fisheries	1.11	Prospective
B	Mining and Quarrying	1.08	Prospective
C	Processing Industry	1.10	Prospective
D	Electricity and Gas Supply	1.14	Prospective
E	Water Supply, Waste Management, Waste and Recycling	1.10	Prospective
F	Construction	1.11	Prospective
G	Wholesale and Retail Trade; Car and Motorcycle Repair	1.10	Prospective
H	Transportation and Warehousing	1.13	Prospective
I	Provision of Accommodation and Food and Beverages	1.12	Prospective
J	Information and Communication	1.11	Prospective
K	Financial and Insurance Services	1.10	Prospective
L	Real Estate	1.10	Prospective
M,N	Company Services	1.10	Prospective
O	Government Administration, Defense and Compulsory Social Security	1.10	Prospective
P	Education Services	1.10	Prospective
Q	Health Services and Social Activities	1.10	Prospective
R,S,T,U	Other Services	0.83	Non-Prospective

Source: Processed data (2020)

The results of the combined analysis of LQ and DLQ analysis from the table 5 shows that Blitar Regency has 7 leading sectors, 9 developing sectors, and 1 potential sector. The sectors are: 1) Leading sectors in Blitar Regency are: agriculture, forestry and fisheries sector, construction sector, information and communication sector, real estate sector, government administration sector, defense and compulsory social security sector, education services sector, health services sector, and social activities; 2) The developing sectors in Blitar Regency are the mining and excavation sector, manufacturing industry sector, electricity and gas supply sector, water supply sector, waste management, waste and recycling sector, wholesale and retail trade sector; car and motorcycle repair, transportation and warehousing sector, accommodation and food and beverage provision sector, financial services and insurance sector, corporate services sector; and 3) Potential sectors in Blitar Regency are: other service sectors.

Table 5. Combined Results of LQ and DLQ

Category	Sector	LQ	DLQ	Combine
A	Agriculture, Forestry, and Fisheries	2.78	1.11	Excellent
B	Mining and Quarrying	0.81	1.08	Developing
C	Processing Industry	0.46	1.10	Developing
D	Electricity and Gas Supply	0.25	1.14	Developing
E	Water Supply, Waste Management, Waste and Recycling	0.37	1.10	Excellent
F	Construction	1.01	1.11	Developing
G	Wholesale and Retail Trade; Car and Motorcycle Repair	1.00	1.10	Developing
H	Transportation and Warehousing	0.44	1.13	Excellent
I	Provision of Accommodation and Food and Beverages	0.18	1.12	Developing
J	Information and Communication	1.16	1.11	Developing
K	Financial and Insurance Services	0.86	1.10	Excellent
L	Real Estate	1.15	1.10	Developing
M, N	Company Services	0.46	1.10	Excellent
O	Government Administration, Defense and Compulsory Social Security	1.53	1.10	Developing
P	Education Services	1.58	1.10	Excellent
Q	Health Services and Social Activities	1.27	1.10	Developing
R, S, T, U	Other Services	4.13	0.83	Excellent

Source: Processed data (2020)

Based on the Klassen Typology analysis in Table 6 on the next page. It is known that the results obtained there are four economic patterns in Blitar Regency, namely: 1) Quadrant 1 can be interpreted as rapidly advancing and growing, which is the growth rate of a particular sector whose contribution to the GRDP is greater than the regional GRDP that is the reference. Table 6 shows that Blitar Regency has 3 sectors that enter quadrant 1 with a rapidly advancing and growing pattern, namely the Manufacturing Industry sector, the Construction sector, and the Information and Communication sector; 2) Quadrant 2 can be interpreted as depressed progress, which is the growth rate of a particular sector in the GRDP is smaller than the regional GRDP that is the reference sector, but has a greater contribution to the sector that is greater than the value of the sector's contribution to the GRDP that is the reference. In Table 6, it can be seen that there are 6 sectors in the quadrant 2 category with a depressed progress pattern, namely the water supply sector, waste management, waste and recycling, transportation and warehousing sector, accommodation and food and beverage provision sector, real estate sector, education services sector, health services sector, and social activities; 3) Quadrant 3 can be interpreted as a fast-growing pattern; this quadrant is a quadrant where the growth rate of a particular sector in the GRDP is greater than the growth rate that is the reference and has a lower sector contribution value to the reference GRDP. As seen in Table 4, the growth rate of the economic sector in Blitar Regency that has a fast-growing pattern is the agriculture, forestry, fisheries, wholesale and retail trade, and car and motorcycle repair; 4) Quadrant 4 which can be interpreted as an underdeveloped sector or lagging sector.

This quadrant is a quadrant where the growth rate of a particular sector and contribution are lower than the industry's growth rate, and the contribution value in the regional GRDP is the reference. Table 4 shows that Blitar Regency has six sectors with a backward pattern: the mining and excavation sector, the electricity and gas procurement sector, the financial services and insurance sector, the corporate services sector, the government administration, defense and mandatory social security sector, and other service sectors.

Table 6. Results of the Class Typology

Category	Description	Growth rate	Per capita	Information
A	Agriculture, Forestry, and Fisheries	Low	High	Fast Developing
B	Mining and Quarrying	Low	Low	Retained
C	Processing Industry	High	High	Fast Advanced And Growing
D	Electricity and Gas Supply	Low	Low	Retained
E	Water Supply, Waste Management, Waste and Recycling	High	Low	Retained Repressed
F	Construction	High	High	Fast Advanced And Growing
G	Wholesale and Retail Trade; Car and Motorcycle Repair	Low	High	Fast Developing
H	Transportation and Warehousing	High	Low	Retained Repressed
I	Provision of Accommodation and Food and Beverages	High	Low	Fast Advanced And Growing
J	Information and Communication	High	High	Retained
K	Financial and Insurance Services	Low	Low	Retained Repressed
L	Real Estate	High	Low	Retained
M,N	Company Services	Low	Low	Retained Repressed
O	Government Administration, Defense and Compulsory Social Security	Low	Low	Retained Repressed
P	Education Services	High	Low	Retained Repressed
Q	Health Services and Social Activities	High	Low	Retained
R,S,T,U	Other Services	Low	Low	Fast Developing

Source: Processed Data (2020)

4. CONCLUSION

The analysis conducted in Blitar Regency using Static Location Quotient (LQ), Dynamic Location Quotient (DLQ), and Klassen Typology reveals a comprehensive picture of the region's economic sectors. The LQ analysis identifies eight basic sectors, including agriculture, forestry, fisheries, and education services, while nine sectors, such as mining and industrial processing, are non-basic. The DLQ analysis for 2015-2020 highlights 16 prospective sectors, including construction, trade, and real estate, with only one sector, other services, being non-prospective. Combining LQ and DLQ results shows seven superior sectors, such as health services and social activities, and nine developing sectors, like transportation and warehousing. The Klassen Typology analysis categorizes three sectors, including manufacturing and communication, as fast-growing and advanced. In contrast, sectors like financial services and government administration are deemed underdeveloped. Overall, Blitar Regency's economic landscape is characterized by a mix of advanced, developing, and underperforming sectors, providing valuable insights for regional development strategies.

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