

## ANALYSIS OF MINING, AGRICULTURE AND SERVICES SECTORS AS LEADING ECONOMIC SECTORS IN BANYUWANGI DISTRICT

Ali Asyhar<sup>1)</sup> Stevanus Gatot Supriyadi<sup>2)</sup>  
<sup>1,2,3)</sup> University Kahuripan Kediri

Corresponding Author :

[kholili061087@gmail.com](mailto:kholili061087@gmail.com)<sup>1)</sup> [stevan.gatot@gmail.com](mailto:stevan.gatot@gmail.com)<sup>2)</sup>

### *Abstract*

*This research aims to analyze various leading sectors in Banyuwangi district to be developed in order to increase regional economic growth. This research uses a qualitative approach with more emphasis on the qualitative form of literature, namely the main source from the Banyuwangi Regency Central Bureau of Statistics. The data analysis tools used are LQ, DLQ and Shift Share and the research results obtained show that in Banyuwangi Regency the most superior sector is the Education sector, namely obtaining average data of 2.02, the Electricity Procurement Sector and the Education Services Sector in Banyuwangi Regency have a very large role, this can be seen in the contribution of Electricity Procurement and the Education Services Sector to the GRDP of Banyuwangi Regency. The magnitude of the sector's contribution can be seen in the average contribution figures from 2018 to 2022 with values of 2.00 and 2.02. while the Mining and Quarrying Sector, electricity and gas procurement, transportation and warehousing, accommodation provision, information and communication, financial and insurance services, real estate, government administration are sectors that are included in the Potential category.*

***Keywords: Mining, Agriculture, Services and Leading Economic Sectors***

## INTRODUCTION

The leading sector in the regional economy is one of the main factors in regional government considerations in formulating development policies aimed at accelerating economic growth and improving community welfare. Regional governments must participate with their communities and by using existing resources they must be able to assess resource potential in order to stimulate regional economic growth.

Regarding economic growth, namely the success of a country which is measured by how much the country produces both goods and services which of course influences the increase in the quality and capacity of production factors which will later have an impact on increasing people's welfare.

According to Arsyad (2014) economic growth is an indicator of development success. Thus, the higher the economic growth, the higher the welfare of the people, although there are other indicators, namely income distribution. An economic indicator that is very necessary to measure the economic growth performance of a region is gross regional domestic product (GRDP). According to Hasyim (2016) economic growth is the process of increasing per capita output per

capita in the long term. So the percentage growth in output must be higher than the percentage increase in population and there is a tendency in the long term that this growth will continue. There are economists who make a strict definition, namely that growth must originate from the internal processes of the economy.

(Sholeh, 2018) Development is an effort to create prosperity for the people. Because the results of development must be enjoyed by all people as a form of increasing physical and spiritual welfare in a fair and equitable manner. Every effort in regional development has the main goal of increasing the number and types of employment opportunities for regional communities. In an effort to achieve this goal, regional governments and their communities must jointly take regional development initiatives.

(Tulus, 2016) Regional economic development is a process in which regional governments and their communities manage existing resources and form a partnership pattern between regional governments and the private sector to create new jobs and stimulate the development of economic growth in the region.

According to statistical data, the potential for agricultural land in Banyuwangi Regency is ranked third after Malang and Jember regencies. So it is not surprising that Banyuwangi Regency is part of one of the food barns in East Java province. Apart from potential in the agricultural sector, Banyuwangi Regency has quite a long stretch of coast, so that in the future, the development of marine resources can be the focus of the government's attention in improving this sector through various efforts to intensify and diversify the management of coastal areas and marine waters. It is not impossible that the accelerated development of potential sectors such as marine resources and other potential sectors can be realized immediately considering that the potential is quite large. Even though Banyuwangi's economy shows stable movement and increasing growth, the burden and challenges are still quite high. Changes in economic sectoral patterns that occur as explained above must immediately receive quick and appropriate handling so that mistargeted policies do not occur, especially considering that currently in the southern Banyuwangi area a new natural resource has been discovered in the form of a gold mine, which could possibly become a new leading sector. . Determining the base sector really needs to be carried out immediately to determine which sectors will encourage an increase in Banyuwangi's GRDP and will support the economy. Identifying the basic sectors that will be prioritized is very important to work on immediately so that regions can immediately use their economic potential to the fullest.

## **METHOD**

This research uses a qualitative research approach, qualitative research, with an emphasis on library research which can be considered as a broad approach in qualitative research or as a method for collecting qualitative data, namely research by obtaining clear data about the leading sectors in the district. Banyuwangi. Meanwhile, for data analysis using LQ, DLQ and Shift Share

## RESULT AND DISCUSION

### Result

#### 1. Analysis Location Quotient (LQ)

To find out whether a sector is superior or not superior, use the Location Quotient (LQ) method, which is a comparison between total regional income and the relative share of sector i income at the national level to total national income. The criteria for this sector are if the LQ value  $> 1$  or  $LQ = 1$  then the sector is a leading sector in the regional economy. Based on the results of the analysis, the LQ value of each sector of Banyuwangi Regency for 2018-2022 can be seen in the table below. From this table it can be seen that there are four sectors whose LQ value is  $> 1$ , namely the agriculture, forestry and fisheries sector, the processing industry sector, construction sector, as well as the health services sector and social activities.

**Table of Location Quotient (LQ) Analysis Results for the Banyuwangi Regency Economic Sector**

Business field	2018	2019	2020	2021	2022	Rata-rata	KET
Agriculture, forestry, and fisheries	0,86	1,32	0,86	0,85	0,97	0,97	Non Base
Mining and excavation	1,22	1,90	1,16	1,16	1,36	1,36	Base
Processing industry	0,47	0,73	0,50	0,51	0,55	0,55	Non Base
Procurement of electricity and gas	1,75	2,75	1,78	1,74	2,00	2,00	Base
Water supply, management, waste and cycle	0,92	1,36	0,88	0,84	1,00	1,00	Base
Construction	0,98	1,51	0,95	0,98	1,10	1,10	Base
Wholesale and retail trade	0,98	1,52	0,98	0,99	1,12	1,12	Base
Transportation and warehousing	1,15	1,81	1,11	1,08	1,29	1,29	Base
Provision of accommodation	1,19	1,86	1,20	1,22	1,37	1,37	Base
Information and communication	1,12	1,74	1,14	1,15	1,29	1,29	Base
Financial and insurance services	1,63	2,56	1,70	1,61	1,87	1,87	Base

Real Estate	1,21	1,92	1,23	1,24	1,40	1,40	Base
Company Services	0,60	0,95	0,61	0,61	0,69	0,69	Non Base
Government Administration	1,44	2,22	1,34	1,34	1,58	1,58	Base
Educational Services	1,75	2,81	1,75	1,80	2,02	2,02	Base
Health services and social activities	0,73	1,14	0,71	0,73	0,83	0,83	Non Base
Other Services	1,81	2,80	1,75	1,73	2,02	2,02	Base

Based on the table above, the results of the Location Quotient analysis of 17 economic sectors in Banyuwangi Regency based on constant prices for 2017-2021 show that the leading sectors (Basis) are thirteen sectors that have an average LQ value  $> 1$  and a total of 4 sectors that non base. Of the thirteen leading or base sectors, the highest is the electricity and gas procurement sector with an LQ of 2.00, and the educational services sector with an average LQ value of 2.02. This means that these thirteen sectors are the leading sectors or the basis of the economy in Banyuwangi Regency. The education sector and electricity and gas procurement are one of the most strategic sectors in Banyuwangi Regency as a contributor to supporting the economy in the area.

Sectors that are not superior (Non Basis)  $LQ < 1$  are the agriculture, forestry and fisheries sectors with an average LQ value of 0.86, the construction sector with an average LQ value of 0.98, the corporate sector with an average LQ value of 0.60 and the Processing Industry, the average LQ value is 0.55, meaning that these four sectors are benchmarks where these three sectors are less worthy of development.

## 2. Combined Analysis *Location Quotient (LQ)* and *Dynamic Location Quotient (DLQ)*

To determine changes in the position of each economic sector and the agricultural sector, this can be done by combining the two previous analysis methods, namely the Location Quotient (LQ) and Dynamic Location Quotient methods.

Table of Results of Combined LQ and DLQ Analysis of the Banyuwangi Regency Economic Sector

Business field	LQ	DLQ	KET
Agriculture, forestry, and fisheries	0,97	0,98	Left behind
Mining and excavation	1,36	0,95	Prospective of being left behind

Processing industry	0,55	1,01	Mainstay
Procurement of electricity and gas	2,00	1,03	Superior
Water supply, management, waste and cycle	1,00	1,01	Mainstay
Construction	1,10	1,03	Left behind
Wholesale and retail trade	1,12	1,02	Mainstay
Transportation and warehousing	1,29	0,95	Prospective of being left behind
Provision of accommodation	1,37	0,98	Prospective of being left behind
Information and communication	1,29	1,04	Superior Becomes Mainstay
Financial and insurance services	1,87	1,02	Superior Becomes Mainstay
Real Estate	1,40	1,01	Superior Becomes Mainstay
Company Services	0,69	0,98	Left behind
Government Administration	1,58	0,97	Prospective of being left behind
Educational Services	2,02	0,99	Superior Become Left Behind
Health services and social activities	0,83	1,02	Mainstay
Other Services	2,02	0,98	Prospective of being left behind

Based on the table above, the results of the combined analysis of Location Quotient (LQ) and Dynamic Location (DLQ) based on the LQ table show that there are 1 sectors that have not changed and remain superior. Namely, the provision of electricity and gas indicates that the need for family economic development is increasing, for example more new houses or the creation of residential areas. There are 3 sectors that remain in a lagging position, namely

agriculture, forestry and fisheries, construction and corporate services. And there are also those whose prospects have declined from being superior or mainstay to being left behind, including mining and quarrying, transportation and warehousing, accommodation provision, government administration and educational services.

### 3. Analysis Shift Share

Shift share analysis to analyze changes in the economic structure of a region against the economic structure of a higher region as a comparison (provincial/national). Relative changes in the structure or economic performance of a region relative to a wider area are influenced by several components, namely regional economic growth ( $N_{ij}$ ), proportional shift or industrial mix ( $M_{ij}$ ), and competitive advantage ( $C_{ij}$ ).

Table of Shift Share Analysis Results in Banyuwangi Regency 2018-2022

<b>Business field</b>	<b>Yij,rn</b>	<b>Yij(rin-rn)</b>	<b>Yij(rij-rin)</b>	<b>Dij</b>
Agriculture, forestry, and fisheries	2248,98	-2655,79	0,00	-406,81
Mining and excavation	603,60	-508,91	0,00	94,69
Processing industry	813,24	568,13	0,00	1381,37
Procurement of electricity and gas	3,93	-1,59	0,00	2,34
Water supply, management, waste and cycle	4,67	2,43	0,00	7,10
Construction	834,98	548,24	0,00	1383,22
Wholesale and retail trade	1075,56	570,13	0,00	1645,69
Transportation and warehousing	213,34	-245,42	0,00	-32,08
Provision of accommodation	182,45	-47,16	0,00	135,29
Information and communication	379,81	635,85	0,00	1015,66
Financial and insurance services	120,87	41,81	0,00	162,68
Real Estate	111,50	44,54	0,00	156,04
Company Services	16,78	-5,60	0,00	11,18

Government Administration	156,71	-138,22	0,00	18,49
Educational Services	236,09	103,47	0,00	339,56
Health services and social activities	28,13	46,53	0,00	74,66
Other Services	89,39	-33,86	0,00	55,53
<b>PDRB</b>	<b>7120,03</b>	<b>-1075,42</b>	<b>0,00</b>	<b>6044,61</b>

Based on the table above, the results of the shift share analysis in table 4.6 show that during the research period (2018-2022) the sectors that experienced the largest increase in real growth in Banyuwangi Regency occurred in the wholesale and retail trade sector, car and motorbike repair, the processing industry sector, the construction sector and communication information with a real growth value of 1381.37 billion rupiah, 1383.22 billion rupiah and 1015.66 billion rupiah. All sectors in Banyuwangi Regency experienced an increase in real growth, this shows that economic growth in Banyuwangi Regency is very good. The Dij value shows that all sectors are positive, which means that the income value or GRDP of Banyuwangi Regency has experienced an increase in economic performance except for the agricultural and forestry sectors.

The positive influence of the proportional shift shows that the growth rate of the economic sector in Banyuwangi Regency has increased. The wholesale trade, retail and car and motorbike repair sectors were the sectors that had the highest growth at 1645.69 billion rupiah and the lowest was the agriculture and forestry sector at -406.81 billion rupiah.

Judging from (competitive advantage components), if it is positive it means it has a competitive advantage component, but if it is negative it means it does not have a competitive advantage component. Based on table 4.6, it is known that 4 commodities have competitive advantages, namely wholesale and retail trade, car and motorbike repairs, the processing industry sector, the construction sector and communications information. The wholesale and retail trade sector, car and motorbike repair, is the sector with the highest level of competitive advantage compared to other commodities, namely 1645.69 billion rupiah. Commodities that do not have a competitive advantage are 1 commodity, namely the agricultural, forestry and fisheries sectors.

## Discussion

1. Economic Growth in Banyuwangi Regency, East Java Province According to (Arsyad, Development Economics, Fifth Edition, 2015) Economic growth is the increase in Gross Domestic Product (GDP) and Gross National Product (GNP) regardless of whether the increase is greater or smaller than the growth rate population, and there is an improvement in the economic structure or institutional system. There are two schools of economic growth when viewed from production, namely according to neo-classical theory and modern theory. According to neo-classical theory, the production factors that are considered to have the greatest influence on output growth are the amount of labor and capital. Capital or capital

can be in the form of finance or capital goods.

According to neo-classical theory, the role of information technology on output growth is not very clear, although in the 1950s and 1960s there was discussion about the positive impact of technology. Neo-classical theory pays more attention to the positive effects of investment accumulation on economic growth. Meanwhile, according to modern theory, production factors are considered equally important, not only labor and capital, but also changes in technology, raw materials and materials. Apart from that, other factors that influence economic growth are the availability and condition of infrastructure, laws and regulations, political stability and so on.

An economy is said to be experiencing growth if the level of economic activity is higher than what was previously achieved. This means that new growth is created if the number of goods and services produced in the economy increases in the following years. The Gross Regional Domestic Product (GRDP) of Banyuwangi Regency during the 2015-2021 period experienced a continuous increase.

Based on the results of data processing on the Klassen Typology classification carried out by economic growth researchers in Banyuwangi Regency, East Java Province in 2018-2021, it can be categorized as a prosperous area that is declining (potentially lagging behind) which is in a Type III area. This is because Banyuwangi Regency, as an agricultural area, has not been able to maintain a strong economic base to support other sectors in economic growth, namely the agricultural sector. However, the development carried out by Banyuwangi Regency has been in line with the development policy direction that we are currently achieving. This is the contribution of all districts in Banyuwangi. The various development achievements of each Banyuwangi Regency have provided good results and have actually contributed to the macro development performance achievements of Banyuwangi.

This research is in line with research that has been conducted (Prasetya, 2018) conducting research with the title analysis of leading economic sectors in Bogor Regency which shows the Shift Share (SS) results show that the manufacturing industrial sector in Bogor Regency is in the top position and growing faster than average. The average provincial growth is 14,185,859.37, while if you look at its development, the information and communications sector is the most developed compared to other sectors. However, when you look at regional share competition, the wholesale and retail trade in the car and motorbike repair sector has very competitive power. strong in West Java province.

## 2. Leading Sector

Regional development planning requires adequate economic analysis techniques to determine the advantages possessed by the region. These advantages can be developed in sectoral planning by determining superior sectors that can become leaders in the development of the region. Therefore, the reorganization of economic analysis is a demand that must be increasingly developed in the future.

Each region has different characteristics, especially differences in human resources and natural resources and how they are utilized. Therefore, the preparation of regional development policies cannot simply adopt national, provincial or other regional policies that are considered successful. To develop a region, the policies taken must be in accordance with the problems, needs and potential of the region concerned. Therefore, it is necessary to have policies from the



regional government in order to advance the region. The policies taken must be in accordance with the conditions of the area concerned. Therefore, in-depth research on regional conditions must be carried out to obtain data and information that is useful for planning the development of the region concerned (Arsyad, Development Economics, Fifth Edition, 2014).

The basis for developing or planning an area is to know the conditions or sectors that allow it to be maintained, developed, while in the Banyuwangi regency area, research data has been obtained as follows:

### 1. Most superior economic sector

Based on research results, the most superior sector is the education sector. This is in line with public awareness of the importance of education in producing an excellent next generation in carrying forward the nation's ideals. This is in line with the research results, namely that over a period of 5 years the average data was obtained as follows:

Educational Services	2018	2019	2020	2021	2022	Average	
	1,75	2,81	1,75	1,80	2,02	2,02	Base

### 2. Leading Economic Sector

Electricity Procurement Sector and Education Services Sector in Banyuwangi Regency have a very large role, this can be seen in the contribution of the Electricity Procurement and Education Services Sector to the GRDP of Banyuwangi Regency. The magnitude of the sector's contribution can be seen in the average contribution figures from 2018 to 2022 with values of 2.00 and 2.02.

Based on the results of the Location Quotien (LQ) analysis, the sector results that are in the superior category are obtained, namely the Electricity Procurement sector and the Education Services Sector. These two sectors both have advantages in the fast growth category compared to other sectors and have competitive advantages, comparative advantages. These two sectors are leading sectors in terms of their contribution to the Gross Regional Domestic Product (GRDP) of Banyuwangi Regency, East Java Province.

### 3. Potential Economic Sector

In Banyuwangi Regency there are 17 sectors that have the potential to contribute to GRDP, but not all sectors are leading prospective sectors. The Mining and Quarrying sector, electricity and gas procurement, transportation and warehousing, provision of accommodation, information and communication, financial and insurance services, real estate, government administration and educational services obtained a Location Quotien (LQ) value greater than 1. This means 9 This sector is a sector with excellent prospects in the economic development of Banyuwangi Regency. And other sectors have a Location Quotien (LQ) value of less than 1, which means these sectors are non-leading sectors. Sectors that are not superior or lagging behind are the agricultural and forestry sectors, the construction sector and corporate services.

## CONCLUSION

Based on the explanation of the research results and previous discussions, conclusions can be drawn. Of the 17 sectors that contribute to the PDRB of Banyuwangi Regency, only five sectors are superior sectors, namely the Electricity Procurement sector, the Information and Communication sector, the Financial Services and Insurance Sector, the Real Estate Sector and the Services Sector. Education. Meanwhile, the Mining and Quarrying Sector, Transportation and Trade Sector, Accommodation Provision Sector and Government Administration Sector are included in the Prospective category so that this sector is worthy of being developed to become a leading sector which will later increase regional income.

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