

## **CHAPTER II**

### **LITERATURE REVIEW**

#### **A. Theoretical Framework**

##### 1. Economic Development.

Basically development is a multidimensional process that is integral and comprehensive both economic growth and social, cultural and institutional change of national, in order to realize a more prosperous society. In practice, the development process takes place through the production cycle to achieve a consumption and utilization of all sorts of resources and resources, such as natural resources, human resources, financial resources, capital and equipment that are continually needed and need to be improved. In achieving the objectives of this development may result in adverse effects in the form of used and other products that are damaging or polluting the environment, directly or indirectly endangering the creation of the principal objective of the development to improve the standard of living of the community.

In general, development has the meaning of continuous improvement in a country's Gross National Product (GNP) or Gross Domestic Product (GDP). For the region, the meaning of development is usually focused on improving the Gross Regional Domestic Product (GRDP) of a Province, District or City. The definition of this development is often linked to a strategy of transforming a country into an industrialized state. The contribution of the agricultural sector has begun to be replaced by industry contribution. Mangun (2007).

Understanding Economic Development is an effort to increase per capita income by processing potential economic forces into real economics by investing, technology utilization, knowledge enhancement, skills enhancement, organizational capability and management. (Sadono Sukirno; 1996)

## 2. Regional Economic Development

### a. Understanding Regional Economic Development

Regional economic development is a process where governments and communities manage existing resources and form a pattern of partnership between local governments and the private sector to create new jobs and stimulate the development of economic activity within the region. Economic development when viewed from the perspective of economic activity and the spreading angle (Arsyad, 1999) are :

#### 1) Homogenous Area

Homogeneous areas are considered as spaces where economic activity takes place and in many areas there are similar traits. The properties of these attributes include in terms of per capita income, social-culture, geography and so on.

#### 2) Nodal Area

Areas considered as a space economy controlled by one or more centers of economic activity, so that the boundaries of the area are determined by the places where the influence of one or more centers of economic activities is replaced by the influence of other centers.

### 3) Planner Area

The administrative area in which the area is also a space economy under a certain administrative area, such as the province, district, city and so forth. So the understanding of the area here is more aimed at the division of the administrative area of a region.

In this regard, regional development is geared towards maximizing the potential of natural resources and developing human resources by improving the quality of life, pre-emptive skills with guidance and assistance from the government. Thus the main features of regional development are:

- 1) Cover all aspects of life
- 2) Implemented integrated
- 3) Increase community contribution

According to Lincoln Arsyad (1999: 108), the main problem in regional development lies in the emphasis on development policies based on the potential use of local human resources, institutions, and physical sub-regions that are endogenous development, this orientation leads us to take initiatives to create jobs and stimulate increased economic activity.

### 3. Regional Economic Development Theory

Differences in the conditions of each region brings implications that the pattern of development that will be applied each region differs according to the characteristics and specificities of the region, because the imitation of the pattern of wisdom applied to a successful region does not necessarily provide the same benefits for other regions. So that the regional development

policy must be in accordance with the conditions, problems, and potentials in the area concerned. (Arsyad: 2010)

a. Rostow Theory

Rostow argues that the economic development or transformation process of a traditional society into a modern society is a multidimensional process. In addition, there are also stages in the process of economic development through 5 (five) stages, namely:

1) Stage of The traditional society

Traditional societies have a structure that only develops in the function of production or the way of thinking is limited to technology and science as well as the attitude that is still primitive and traditional. Characteristics of the community in this stage are: (a) Per capita production and population productivity are still very low. (b) The social structure is hierarchical, which is composed from top to bottom based on the nobility level. (c) In government there is often centralization.

2) Precondition for take-off

A phase of transition in which a society prepares itself to achieve growth that has the power to continue to grow (self-sustained growth). In the stage can be described some of the characteristics include: (a) Increase in community savings which will further increase investment. (b) Massive investments are mainly made in the infrastructure sector. (c) There is an innovative activity.

According to Rostow, at this stage the next will pass automatically with the interference from outside.

3) Take off

Rostow defines take-off as: "the industrial revolution that is directly related to the radical changes in the method of production which, in a relatively short period of time, has decisive consequences". The characteristics that occur at this stage are: (a) there is an increase in investment from 5 to 10 percent of net national product. (b) The development of one or several sectors with a high rate of economic growth. (c) Creation of a basic social and institutional political framework capable of creating changes for the expansion of the modern sector.

4) The drive to maturity

The long-term stages in which production is carried out independently are characterized by the emergence of several new important sectors. There are three important changes that occur: (1) Labor changed from uneducated to educated. (2) The change of the businessman's character from hardworking and abusive turns into a refined and polite efficient manager. (3) Society saturated against industrialization and wants further change.

5) The age of high mass consumption

Public concern and public welfare are no longer a matter of production. At this stage will be marked by the massive migration from urban to suburban communities, due to the construction of the

city center as central to the workplace. In this stage there are 3 (three) kinds of community goals are: (1) Enhance power and influence abroad and this tendency can end in the colonization of other nations. (2) Creating a welfare state by seeking to create a more equitable division of income through a progressive tax system. (3) Increasing public consumption beyond basic needs (clothing, food and boards) includes durable consumer goods and luxury goods.

#### 6) Harrold Domar Theory: The Role of Saving

This theory actually comes from two different works namely Roy Harrold and Evys Domar. The essence of this theory is according to Harrold Domar, that economic growth is determined by high levels of savings and investment. If the savings rate is low, then the economic growth will be low and vice versa high saving then economic growth will be high as well.

Basically Harrold Domar reminded that the rate of economic growth will be guaranteed if there is a balance between the production side (Classic) with the side of expenditure (Keynes). And from the classical macroeconomic theory emphasizes that the main source of economic growth lies in the supply side. As JB reveals that "Supply creates its own demand". Meanwhile, Keynes emphasized that the source of economic growth lies in the expenditure side. So indirectly national income will increase if there is a change in expenditure by household (consumption), company (investment) and

government (government expenditure) to the level of economic growth of a State.

#### 4. Economic Growth

Economic development and economic growth have different meanings. Economic development is defined as a process of continuous change towards economic improvement, which includes economic growth followed by changes in the structure and style of economic activity to realize the welfare of society. While the meaning of economic growth is increasing (output) production in the long term.

Economic growth is a process of growth of output per capita long jagka that occurs when there is a tendency (output per capita rise) sourced from the internal process of the economy (the power that comes from within the economy itself), not from outside and is temporary. Or in other words self-generating, which means that the growth process itself produces a force or momentum for the continuation of that growth in subsequent periods (Budiono: 1994)

Sadono Sukirno argues that economic growth is a change in the level of economic activity prevailing from year to year. So to know it must be held comparison of national income from year to year, which is known with the rate of economic growth (Sadono Sukirno, 1998)

## 5. Regional Economic Growth

### a. Neo Classical Economic Theory

Neo Classical Economic Theory provides two basic concepts in regional economic development, namely equilibrium and production factor mobility. That is, the economic system will achieve a natural balance if capital can flow without restriction. Therefore, capital will flow from high-paid areas to low-wage areas. The classical believe that the economy is based on the power of the market mechanism will go to balance. In this case, production activities will automatically create purchasing power to buy the goods produced. In the balance position there is no excess or lack of demand. Imbalances (disequilibrium), such as greater supply of demand, lack of consumption, or unemployment, are classified by the classics as temporary. There will be a subtle hand (invisible hands) that will bring the economy back on the balance side.

### b. Economic Base Theory

The theory of economic base states that the main determinant of economic growth of a region is directly related to the demand for goods and services from outside the region (Arsyad, 1999). The theory of this base is divided into two sectors namely the base sector and non-base sector. The base sector is an economic sector that can export goods and services out of the economy. While the non-base sector is the sector or activity of goods and services needed by the community. This theory is based on the theory of location, namely the economic growth of an area will be much determined by the type of location which can then be used

the area as an export power. So in determining the development strategy must be adjusted to the advantage of the location owned to increase regional economic growth. This theory has weaknesses in external and internal demand. It will ultimately lead to a very high dependence on market forces nationally and globally. But this theory is very useful for determining the balance between the types of industries and sectors that society needs to develop economic stability.

c. Location Theory

This theory suggests the selection of locations that can minimize costs. The optimum location of an enterprise or industry is generally located or close to the market or source of raw materials. That is, the more appropriate the strategic location selection, the smaller the production cost incurred. There are several variables that affect the quality of a site such as wage labor, energy costs, supplier availability, communications, education and training, the quality of local government and responsibility and sanitation. The limitation of this location theory is that modern technology and communications have altered the significance of a particular location for the production and distribution of goods.

d. Cumulative Causation Theory

The worsening conditions of the areas around the city show a basic concept similar to cumulative cumulation theory. In other words, market forces tend to aggravate the gaps in these areas. The developed

regions experience an accumulation of competitive advantage over other regions.

#### 6. Region Economic Development Planning

Economic development planning is a continuous process that involves decisions or alternatives to the use of resources in controlling an economy to achieve certain goals and objectives within a period of time in order to achieve future objectives.

Economic planning is a deliberate governmental effort to coordinate long-term economic decision-making as well as to influence, regulate and in some cases control the rate and rate of growth of major economic variables for achieving pre-determined development objectives. (MT Todaro, 2000)

According to Widjojo Nitisastro in Gayatri (2010), basically planning relates to two things: first is the determination of the choice to be achieved within a certain time on the basis of the value owned by the community concerned. Secondly, the choices are among efficient alternatives to achieve a particular goal. The benefits of development planning include:

- a. The presence of guidance and guidance for activities aimed at achieving development goals.
- b. The presence of guidance and guidance for activities aimed at achieving development goals.
- c. A scale of priorities can be made of various activities to be carried out based on the interests and objectives of the activity.
- d. With the planning, we can conduct an assessment or evaluation of the activities undertaken.

Regional economic development planning is not planning of a region. Local economic development planning can be considered as planning to improve the capacity of the private sector to create the value of private resources responsibly (Kuncoro, 2004). From an economic point of view, the need for economic development planning is:

- a. In order to allocate development resources more efficiently and effectively so that waste can be avoided.
- b. Economic development.
- c. Achieving economic stability in the face of globalization.

#### 7. Gross Regional Domestic Product

Gross Regional Domestic Product is the gross added value of all goods and services created or produced in the domestic territory of a country arising from various economic activities within a certain period regardless of whether the production factor is owned by resident or non-resident. (bps.go.id). There are three approaches to calculate the GRDP figure, namely:

- a. Production Approach, GRDP is the total value of final goods and services produced by various production units in the territory of an area within a certain period (usually one year).
- b. Expenditure Approach, GRDP is all components of final demand such as:
  - (a) household consumption expenditure and non-profit, (b) government consumption, (c) gross domestic fixed capital formation, (d) stock changes, and (e) net exports , within a certain period of time (usually one year).

- c. Revenue Approach, GRDP is the amount of remuneration received by factors of production in an area within a certain period.

GRDP at current prices or known as nominal GRDP is based on the prevailing price in the calculation period, and aims to look at the structure of the economy. While GRDP because of constant prices (real) is based on price in the base year and aims to measure economic growth. (BPS.go.id)

## 8. Strategy of Regional Economic Potential Development

Strategy of regional economic potential development is the way in which to develop each sectors that aims to expand and improve the ability of sketro in contributing to the formation of GRDP. This system or methods are structured according to the strengths and weaknesses of the sector or region (Musthofa, 2009)

In order for each region to maximize the management of potential resources owned, then the need for regional economic development strategies. Development strategies should refer to policy instruments and activities by providing infrastructure, government investment, the balance between various sectors and regions, as well as the role that arises from inter-regional trade. Meanwhile, regional economic development strategy can be grouped into four (Arsyad, 1999), among others are:

- a. Locality or phsysical developompment strategy demonstrated to create regional or city identity, improve the charm bases or quality of life of the community, and improve the attractiveness of the local or city center in an effort to improve the business world.

- b. Business development strategy is development of the business world, among others, through the creation of a good business climate for the business world with arrangements and policies that provide convenience to the business world and at the same time prevent the deterioration of environmental quality.
  - c. Human resources development strategy is the most important aspect in the process of economic development. Development of quality of human resources, among others, can be done with training customized training system or training designed specifically to meet the needs and expectations of employers.
  - d. Community-based development strategy. It is an activity aimed at developing a certain group of people in an area. The activity is also known as empowerment community.
9. Base Sector Theory

Base activity has a role as the main driver (primary movers) in the growth of a region. The greater the export of one region to another, the more developed the region will grow, and vice versa. Every change that occurs in the base sector will cause a multiplier effect in the regional economy (Adisasmita, 2005: 28).

Understanding of the leading sectors is a sector or economic activity that has better potential, performance and prospects compared to other sectors so that it is expected to be able to drive other derivative economic business activities, so as to create regional development independence (Aswandi and Kuncoro, 2002).

The flagship sector can also be interpreted as a sector that can drive economic growth in the surrounding area as indicated by parameters such as:

- a. the contribution of the economic sector to the region's economy is quite high
- b. A sector that has a high multiplier effect.
- c. The sector with abundant deposits.
- d. Having the potential added value is quite good.

According to Rachbini (2001) there are four conditions for a particular sector to become a superior / priority sector, namely (1) the sector must produce a product that has considerable demand, so that the rate of growth is growing rapidly due to the effects of these requests; (2) because there are changes in technology that are creatively adopted, the new production function shifts with broader capacity development; (3) there must be an increase in investment return from the production results of the priority sector, both private and government; (4) the sector must develop, so that it can influence other sectors.

## **B. Previous Research**

Nita Desi Larasati from Muhammadiyah University of Yogyakarta conducted a research entitled "*Analisis Sektor Basis dan dan Sektor Unggulan Pembangunan Daerah dan Strategi Pembangunannya*". The analytical model used is Location Quotient Analysis (LQ), Shift Share analysis, analysis of Klassen Typology and SWOT analysis. The results of the LQ analysis show that almost all economic sectors in Magelang regency are basic sectors except mining and quarrying sector, manufacturing sector, water supply, waste treatment, waste and

recycling sector, large and retail sectors, supply and accreditation sector, as well as the government administration, defense and compulsory social security sectors. The result of Shift Share analysis as a whole shows that this positive value indicates that economic growth for each economic activity in Magelang Regency is growing. Result analysis of klassen typology area indicate that Magelang Regency Including category of area is growing. Based on the results of SWOT analysis, the policy strategy of sector development that needs to be taken is to improve the regional economy through the potential of the base sector, improve the quality of health services, education and other basic social, increase the quantity and quality of public facilities and infrastructure and improve economic competitiveness.

Mushoffa in 2009 from Semarang State University conducted a research entitled "*Analisis Sektor Basis dan Strategi pengembangan Potensi Ekonomi Daerah di Kabupaten Tegal*". The analysis model used is Location Quotient and SWOT Analysis (Strengths, Weaknesses, Opportunities, Threats). Result of calculation of LQ average eighteen districts in Tegal regency year 2001-2005 as a whole Regency of Tegal have Sector Superior which berfat sekunder sector. . The absence of the tendency of each sub-district to have the same sectors of base sector, this shows that the economy in Tegal regency quite complex with their respective advantages. Based on the results of SWOT analysis, the policy strategy of sector development that needs to be taken is to improve the regional economy through the potential of the basic sector, to build and improve the quality of education and health services, to improve the quality of public facilities and infrastructure and to improve the competitiveness of the regional economy.

Muhammad Ghufron in 2008 from the Bogor Agricultural Institute conducted a research entitled, “Analisis Pembangunan Wilayah Berbasis Sektor Unggulan Kabupaten Lamongan Provinsi Jawa Timur”. During the period of 2002-2006 which included the basic sector, agriculture sector, service sector, trade sector, hotel and restaurant sector. In coefficient pendapatan (multiplier) Lamongan regency community in carrying out its economic activity more interested in activity sector base. In the Shift Share analysis, the highest growth rate in Lamongan district was found in trade, hotel and restaurant sector at 48.74 percent during 2002-2006. Based on SWOT analysis, the development policy strategy that needs to be taken is the increase of natural resource potential especially in the pertanian sector, services, trade, hotel and restaurant. This is because of the support from the government daerah, private / investor and society Lamongan to advance the leading sector. But in fact Lamongan District still faces the human resources of farmers and fishermen are low, facilities and infrastructure minimal development.

M iqbal Wahyu Yuuha and Hendry Cahyono from the Faculty of Economics UNESA conducted research with the title, “*Analisis Penentu Sektor basis dan Sektor Potensial di Kabupaten Lamongan*”. The data used is time series data ie PDRB data of Lamongan Regency 2007-2011 in analysis using three analytical tools that is Location Quotient (LQ), Shift Share (SS) and Growth Ratio Model (MRP). The result of LQ analysis shows that from 2007-2011 period there is 1 basic sector that is agriculture and the rest is non base but in 2011 service sector changed into base sector. In Kabupaten Lamongan, it can be explained that the sector with the highest average Regional Growth value is agriculture sector.

Nano Prawoto, Diah Setyawati Dewanti and Wa Ode Mellyawanty conducted a research entitled, "*Analisis Sektor Ekonomi Potensial Dalam Meningkatkan Pertumbuhan Perekonomian Kabupaten Gunungkidul Periode 2007-2012*". The analytical tools used are Location Quotient (LQ), Shift Share (SS), Klassen Typology. From the calculation of Location Quotient shows that Gunungkidul Regency has 2 sectors which is the base sector is agriculture sector and mining and quarrying sector. The result of Shift Share analysis shows that the GDP of Gunung Kidul Regency has increased economic performance, Sector which is the competitive sector of excellence that is agriculture sector, mining and quarrying sector, processing industry sector, electricity, gas and water sector, building sector and financial sector, company. The results of the Klassen Typology analysis show that the advanced and rapidly growing sector is the agricultural sector. Sector with category as advanced but depressed sector is mining and quarrying sector. While the sectors classified as potential and developing sectors are the manufacturing sector, electricity, gas and water supply sector, construction sector sector and financial sector, leasing and corporate services. Sectors categorized as relatively lagging sectors are trade, hotel and restaurant sector, transportation and communications sector and services sector. Based on the results of the calculation of the three analyzes show that the sector which is the leading sector with the criteria belonging to the advanced and growing sector, basis and competitive sector is the agricultural sector. Therefore the strategy that can be developed by the Gunungkidul Regency leads to "Optimalization of Agricultural Sector Development as a leading sector that supports the ecotourism industry and free trade".

Hajeri, Yurinda Yurisinthae and Eva Dolorosa in 2015 from the University of Tanjungpura wrote a study entitled, “*Analisis Penentuan Sektor Unggulan Perekonomian Kabupaten Kubu Raya*”. The method used is Typology Klassen, Location Quotient and Dynamic Location Quotient, and Shift Share. The results of Klypen's Typology analysis show that the sectors belonging to the advanced and fast growing sectors (Quadrant 1) are the Processing Industry sector, the electricity, gas and water supply sectors, as well as the transportation and communication sectors. The result of Location Quotient analysis shows that the transportation and communication sector is the base sector. Results from Dynamic Location Quotient show that future sectors ( $DLQ > 1$ ) are agriculture, mining & quarrying, manufacturing, electricity, gas and water and so on. The result of Shift Share analysis shows that there has been an economic change in Kubu Raya Regency from Manufacturing Industry sector (Secondary) to Transportation and Communication sector (tertiary) and then Farming (Primary). Of the three analyzes of Typology Klassen, Combined LQ and DLQ, and Shift Share shows that from all sectors of GRDP formation Kubu Raya Regency turns out the sector of transportation and communication is the leading sector meet the three criteria above.

Emma Dwi Ratnasari in the Business Focus journal conducted a study with the title, Sectors analysis and determination of gdp forming leadingsector in district kebumen. Results Analysis of Location Quotient (LQ) shows the basic sectors in Kebumen is Mining and Quarrying sectors, Agricultural sectors, services sector and financial sector, Rental and Service, no visible shift of economic structure, where the primary sector is still a focus for regional income,

Overlay analysis produced 5 seed sectors, the Mining and Quarrying Sector, Agricultural Sector, Industry Sector, Finance, Ownership, and Corporate Services and Services. Klassen Typology analysis showed that the Mining and Quarrying sector and the services sector is an advanced and a rapidly growing sector, Agriculture and Financial sectors, Renting and Business Services are advanced but depressed sectors, the Manufacturing sector is a potential sector / could still be developed, the analysis of the leading sectors that need services.

**Table 2.1**  
Previous Research

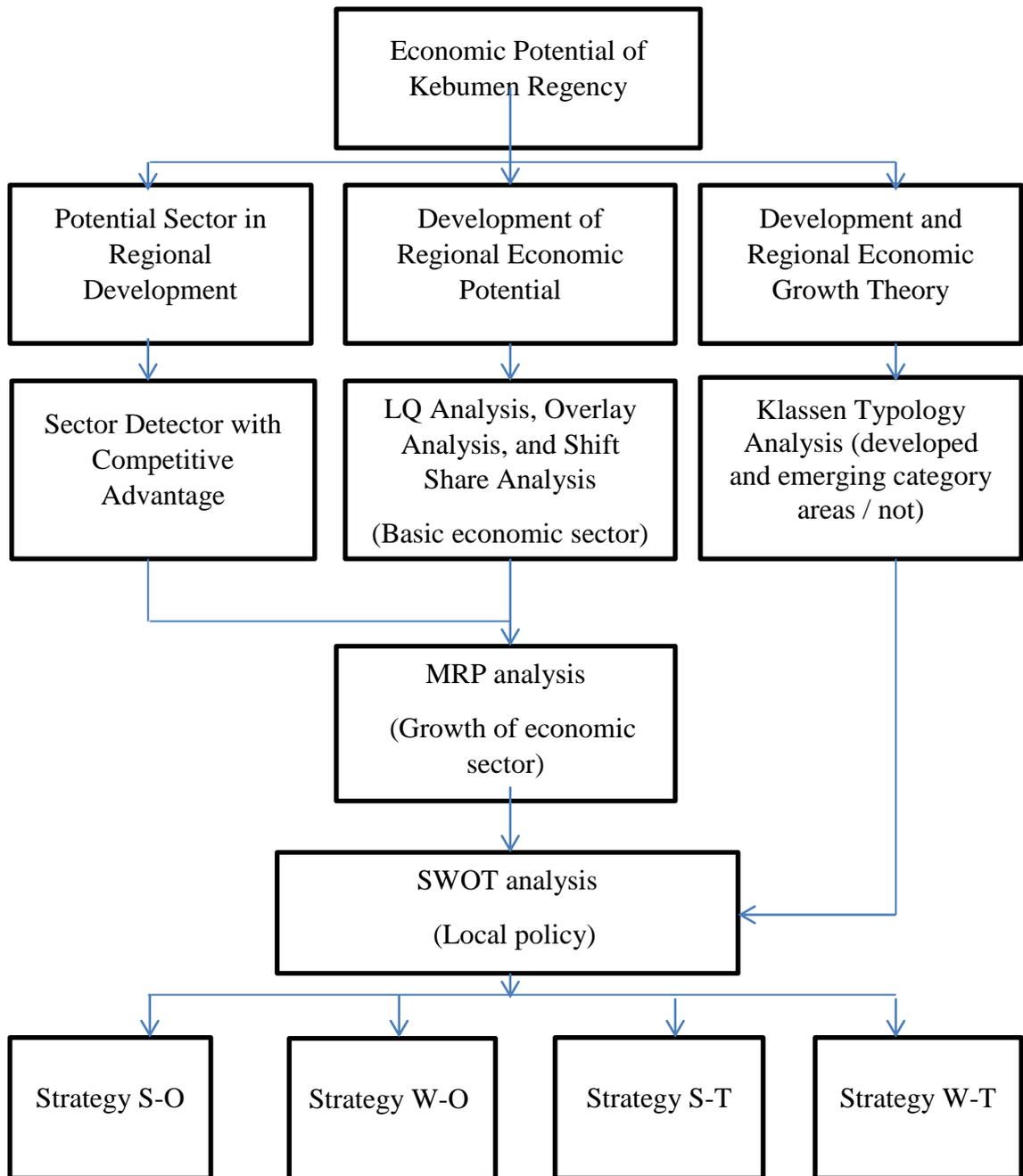
No	Author, Year and Title	Analysis Method	Conclusion
1.	Nita Desi Larasati, 2017 Analisis Sektor Basis dan Sektor Unggulan Pembangunan Daerah dan Strategi Pembangunannya (Studi Kasus di Kabupaten Magelang Tahun 2011-2015)	<ol style="list-style-type: none"> <li>1. Analysis Location Location (LQ)</li> <li>2. Analisis Shift Share</li> <li>3. Analisis Klassen Typology</li> <li>4. SWOT Analysis</li> </ol>	Almost all economic sectors in Pemalang regency are basic sectors except Processing Industry sector, construction sector, transportation and warehouse sector, real estate sector, and overall shows positive value that economic growth for each economic activity in Pemalang Regency grows. Growing both in terms of contribution and growth side. The strategy used to improve the development is a strategy to utilize the location of strategic areas to move the economy, Increasing the potential of natural resources to develop the basic sector in supporting development
2.	Mushoffa, 2009, Analisis Sektor Basis dan Strategi Pengembangan Potensi Ekonomi Daerah Di Kabupaten Tegal	<ol style="list-style-type: none"> <li>1. Location Quotient Analysis</li> <li>2. SWOT Analysis</li> </ol>	The absence of the tendency of each sub-district to have the same sectors of the same, this shows that the economy in Tegal regency quite complex with their respective advantages. Suggestions are given to develop sectors of the existing unggulan but do not forget memperbaiki beberapa other secondary sectors.
3.	Muhammad Ghufro, 2008, Analisis Pembangunan Wilayah Berbasis Sektor Unggulan Kabupaten Lamongan Provinsi Jawa Timur	<ol style="list-style-type: none"> <li>1. Location Quotient</li> <li>2. Multiplier Income</li> <li>3. Analisis Shift Share</li> <li>4. SWOT Analysis</li> </ol>	During the period of 2002-2006 which included the basic sector, there were agriculture sector, service sector and trade, hotel and restaurant sector. In the Shift Share analysis, the highest growth rate in Lamongan Regency was in the trade, hotel and restaurant sector which was 48.74 percent during 2002-2006. The strategy to be taken is to

			maximize the potential of Sourcedaya's special nature in agriculture, hotels and restaurants.
4.	M. iqbal Wahyu Yuuha dan hendri cahyono, 2012, Analisis penentuan Sektro basis dan Sektor Potensial di Kabupaten Lamongan	<ol style="list-style-type: none"> <li>1. Location Quotient (LQ)</li> <li>2. Shift Share (SS)</li> <li>3. Growth Ratio Model (MRP)</li> </ol>	The results of the LQ analysis show that which includes the base sector is the agricultural sector. Then from the Shift Share analysis shows the performance of each sector in Lamongan regency where the agricultural sector has the highest growth compared to the growth of East Java. The results of the MRP analysis show that the sectors included in the potential sector in Lamongan are agriculture, electricity, gas and air-processing industry sector and services sector.
5.	Nano Prawoto, Diah Setyawati Dewanti dan Wa Ode Mellyawanty, 2012, Analisis Sektor Ekonomi Potensial dalam Meningkatkan Pertumbuhan Perekonomian Kabupaten Gunungkidul 2007-2012	<ol style="list-style-type: none"> <li>1. Location Quotient (LQ)</li> <li>2. Shift Share (SS)</li> <li>3. Klassen Typology</li> </ol>	Based on the results of the calculations from the three analyzes indicate that the sector which is the leading sector with the criteria belonging to the advanced and growing sector, the basic and competitive sectors is the agricultural sector. Therefore the strategy that can be developed by the Gunungkidul Regency leads to "Optimalization of Agricultural Sector Development as a leading sector that supports the ecotourism industry and free trade".
6.	Hajeri, Erlinda Yurisinthae dan Eva Dolorosa, 2015, Analisis Penentuan Sektor Unggulan	<ol style="list-style-type: none"> <li>1. Typology Klassen</li> <li>2. Location Quotient dan Dynamic Location Quotient</li> <li>3. Shift Share</li> </ol>	Of the three analyzes of Typology Klassen, Combined LQ and DLQ, and Shift Share shows that from all sectors of GRDP formation Kubu Raya

	Perekonomian di Kabupaten Kubu Raya.		Regency turns out the sector of transportation and communication is the leading sector meet the above three criteria of analysis
7.	Emma Dwi Ratnasari , 2014, Sectors Analysis and Determination of GDP Forming Leadingsector in District Kebumen	<ol style="list-style-type: none"> <li>1. Location Quotient (LQ)</li> <li>2. Shift Share (SS)</li> <li>3. Klassen Typology Model Rasio Pertumbuhan (<i>Growth Ratio Model</i> )</li> <li>4. Overlay Analysis</li> </ol>	Results Analysis of Location Quotient (LQ) shows the basic sector in Kebumen is Mining and Quarrying sector, Agricultural sector, services sector and financial sector, Rental and Service, no visible shift of economic structure, where the primary sector is still a focus for regional income, Overlay analysis produced 5 seed sector, the Mining and Quarrying Sector, Agricultural Sector, Industry Sector, Finance, Ownership, and Corporate Services and Services, Klassen Typology analysis showed that the Mining and Quarrying sector and the services sector is a sector advanced and rapidly growing sector, Agriculture and Financial sectors, Renting and Business Services is an advanced but depressed sector, Manufacturing sector is a potential sectors / could still be developed, the analysis of the leading sectors that need to be developed namely Services sector.

### **C. Research Framework**

The potential of each region needs to be developed in order to increase economic development in the area. In reality the potential is not yet fully understood, so analysis is needed to be able to know which sectors are the leading economic sectors, and what strategies are used to improve economic development. Analysis of LQ and Shift Share used to know the economic sector base, competitive advantage and competitiveness in an area. MRP analysis is used to determine the growth of the economic sector. Overlay analysis is used to determine the growth of the economic sector. , in order to formulate a policy to be able to increase the position of regional typology which is expected to increase economic growth. SWOT analysis is used to take a regional policy.



Source : Wafiyulloh Mubarrok, 2016 (processed)

**Figure 2.2**  
Thinking Framework Thought