

CHAPTER I

PRELIMINARY

A. Background

Development is a continuous process with the ultimate goal of improving people's welfare. Development always has positive and negative impacts, therefore it is necessary to look at a certain reference to assess the success of development of a region. The development of a region is said to succeed when economic growth in a region is relatively high. The economic growth of a region will affect other regions that have economic linkage with the region. Economic development of a region should be viewed from the sectors that become the seed of the region. Suggestions should be developed as much as possible in order to be a trigger of economic development of the region. The leading sector can be known in several ways, one of them by using the gross regional domestic product (GRDP) data.

Economic growth is often a reference to how well the government in certain regions in doing their duty to advance the region. The development and growth of a particular region is not necessarily the same and tends to be different, because there are various differences in geography, culture, natural resources, community potential, and others.

Law Number 32 Year 2004 regarding Regional Government discusses the roles, duties and functions of local governments and their relationship with the central government in advancing their respective regions. This was followed by the issuance of Law Number 33 Year 2004 regarding Central and

Regional Financial Balance, one of which discussed the provision of regional income. Both laws then became the reference on the implementation of regional autonomy, particularly in the economic field. In articles 3 & 4 of Law number 33, there are mentioned a number of sources of regional revenue in the implementation of decentralization, among others:

1. Locally-generated revenue

The original regional income referred to is the result of local taxes; the result of regional retribution; the results of regional-owned enterprises and the result of separation of other areas of wealth management; and other legitimate local revenue.

2. Balancing Fund

Balancing funds are funds sourced from revenues from the State Budget (APBN) allocated to regions to finance regional needs in the context of decentralization.

3. Regional Loans

Regional Loans are all transactions that result in receiving regions from other parties a sum of money or money-worthy benefits so that the area is burdened with obligations to repay, excluding short-term credit that is common in trading.

4. Other Legitimate Revenues

Regional economic development is a process whereby local governments and communities manage existing resources and form a pattern of partnerships between local governments and the private

sector to create new jobs and stimulate the development of economic activities within the region (Arsyad, 2010).

In an effort to achieve regional economic development objectives, the main policy that needs to be done is to do everything possible so that regional development priorities are in line with the regional development potentials. This is related to the development potential of each region varies greatly, so each region must determine the dominant economic sector activity (Syafrizal, 1999).

The main objective of the development is to create the number and type of employment opportunities for the local people, so that there is emphasis on development policy based on the regional economic potential in using local human resource, institutional and natural resource potentials. Regional economic development planning can be considered as planning to improve the development of public resources that are available in the area and to improve the capacity of the private sector in creating responsible values of private resources (Arsyad, 1999). Some indicators that can provide an overview of the growth or economic conditions of a region are, among others, the level of employment, regional income growth, as well as income levels and regional income structures (Kuncoro, 2006).

The economic sectors included in the gross regional domestic product (GRDP) of Pematang District are as follows: agriculture, forestry and fishery sectors; mining and cultivation sectors; the processing industry sector; electricity and gas procurement sector; water supply, waste management and waste recycling sectors; construction sector; wholesale and retail trade sectors; transportation and

warehousing sectors; the sector of accommodation and drinking; the information and communication sector; the financial services and insurance sector; real estate sector; the company's service sector; governmental, defense and compulsory social security sector; education services sector; the health services and social activities sector; as well as other service sector.

Pemalang District is one of the Districts in Central Java province that has lowland (in the north) and mountains (in the south). In this area, the agricultural sector has a very significant effect. Several types of food crops and plantations such as rice, pineapple, and mango are important commodities in Pemalang District. Another activity that has a major impact on the economy of this region is the processing industry. The processing industry in Pemalang District has increased significantly, both in small industry and medium and large industries. This is evidenced by the increasing value of investment and production value in the processing industry sector of Pemalang District from year to year. However, the industry in Pemalang District is still dominated by small industries, only a few companies are included in medium and large industries. There are only a few large industries, such as PT Phillips Seafood Indonesia which is engaged in chemical industry, agro, and forest products; PT Texmaco Jaya and PT Candi Mekar engaged in electronics, textile and miscellaneous industries, and Gondorukem Factory belonging to Perhutani which is the largest in Southeast Asia.

Gross regional domestic product (GRDP) of Pemalang District based on the constant market prices during the last seven years (2010-2016) continues to

increase significantly. The largest contribution of the sectoral contribution from the total GRDP cumulatively from year to year is relatively the same, ie from agriculture, forestry and fishery sectors; the processing industry sector; and wholesale and retail trade. All three contributed 62,34% of the total GRDP of Pemalang District in 2016. The next sectors which also have a significant role in the gross regional domestic product of Pemalang District are the provision of accommodation and meals sector and the educational service sector, both accounting for 10.69% of the total gross regional domestic product of Pemalang District. The lowest gross regional domestic product of Pemalang District based on the constant market prices occurred in 2010, whereas the highest GRDP of Pemalang District occurred in 2016.

Table 1.1
Pemalang District's GRDP Based on Constant Market Prices (In Million Rupiah)

Business Field	Year						
	2010	2011	2012	2013	2014	2015	2016
Agriculture, Forestry and Fisheries	3.248.405,73	3.322.731	3.455.924	3.680.933,28	3.612.139,81	3.763.228,26	3.850.771,69
Mining and Excavation	519.077,91	543.007	571.189	600.719,99	638.084,77	656.263,08	715.206,26
Processing Industry	1.993.801,68	2.141.096	2.316.429	2.472.070,49	2.810.141,65	3.015.527,05	3.185.813,41
Electricity and Gas	13.162,8	14.211	15.158	15.944	18.036,82	19.579,23	22.419,09
Water Supply, Waste Management, and Recycling	10.338,74	10.984	11.177	11.791,94	12.642,14	12.935,89	13.283,69
Construction	488.103,68	498.403	528.905	559.369,84	585.324,60	617.993,54	662.286,15
Wholesale and retail trade	1.936.221,34	2.060.119	2.118.197	2.185.406,25	2.317.609,80	2.420.232,68	2.603.495,09
Transportation and Warehousing	326.133,55	338.414	367.454	389.201,63	411.165,21	434.021,95	462.443,60
Provision of Accommodation and Meals	625.632,76	651.220	688.784	711.838,36	759.004,66	808.886,30	861.503,74
Information and Communication	222.033,01	242.016	267.670	293.660,40	333.187,09	363.177,09	383.543,66
Financial Services and Insurance	331.028,44	348.526	357.963	371.375,48	393.784,29	427.009,97	463.368,47
Real Estate	195.742,83	208.016	220.559	235.733,75	251.857,94	269.812,96	286.551,82
Company Services	32.622,49	35.709	38.744	42.943,64	47.414,07	52.360,28	55.942,29
Mandatory Administration of Government, Defense and Social Security	445.278,10	461.397	465.688	475.653,89	476.414,94	498.969,52	505.060,44
Educational Services	456.312,32	515.815	586.998	633.468,34	697.828,72	757.180,33	807.635,75
Health Services and Social Activities	100.248,18	108.288	117.828	124.179,21	134.337,06	143.313,06	154.696,69
Other Services	338.052,52	347.248	348.567	367.773,13	399.695,84	413.205,02	429.778,74
Total GRDP	11.282.196,10	11.847.199	12.477.235	13.172.063,61	13.898.669,42	14.673.696,23	15.463.800,55

Source: Badan Pusat Statistik Pemalang, 2016

The success of regional economic development, whether undertaken by the government or the private sector in the series of increasing the welfare of the population can be assessed through the growth rate of the gross regional domestic product, and at the same time is useful for determining the direction of development in the future. Based on the description, the author is interested to conduct a research with the title: **“The Analysis of Leading Economic Sector and Economic Growth in Pematang District Year 2010-2016”**.

B. Formulation of the Problem

Based on the background that has been mentioned above, then the formulation of the problem in this study are:

1. Was there any changes of economic structure in Pematang District between 2010-2016?
2. Which sector(s) of the economy that have high potential to be developed and become a leading sector in Pematang District in 2010-2016?

C. Research Purposes

Based on the background and the formulation of the problem, the purposes of this research are as follows:

1. To acknowledge the change of economic structure in Pematang District between 2010-2016.
2. To acknowledge the economic sector(s) that have a high potential to be developed and become a leading sector in Pematang District between 2010-2016.

D. Benefits of Research

The results obtained from this research are expected to be used or utilized as:

1. Information materials for the development of sectors owned by Pemalang District.
2. Input and evaluation materials for the local governments to determine future policies relating to regional development.
3. A reference material for future research.