

CHAPTER I

INTRODUCTION

1.1 Background of Final Report

Economic development is a transitional process from a simple economic level to a more modern economic level to achieve the society's welfare. To change the economic development, to improve the welfare of regional living standards, the local government should pay attention to the local economic development. A relative area has different potentials due to the different characteristics of the resources present in each region. According to Tambunan (2015):

The strategic geographic location with an area of about 1,919,440 km² shows how rich Indonesia in natural resources with all its flora, fauna and hydrographic potential and its abundant natural resource deposits. Indonesia's natural resources ranging from agriculture, forestry, marine and fishery, livestock, plantation and mining and energy. It makes every region have different potential due to differences in natural resources.

To improve economic growth in each region, the local government must have planning to improve it. To improve the economic in each region the local government has two basic principles to improve it. Based on Darwanto (2009):

Each region has an economic growth pattern that is different from other regions. Therefore, the economic development planning of a region must first recognize the economic, social and physical character of the region itself, including its interaction with other regions. Thus there is no regional economic development strategy that can apply to all regions. On the other

hand, in formulating regional economic development strategies, both short-term and long-term, an understanding of the theory of regional economic growth, summarized from the study of patterns of economic growth from different regions, is a sufficient factor determining the quality of economic development plans area. Regional economic development needs to provide short-term and long-term solutions to the economic issues facing the region, and need to correct the wrong policies. Regional economic development is a part of regional development as a whole. Two basic principles of regional economic development that need to be considered are (1) recognizing the regional economy and (2) formulating pro-business development management of the region.

These different resources lead to uneven regional development across each sector. Therefore regional development on each region should be handled in accordance with the potential and characteristics of existing resources in the area. To see the economic development of an area it can be seen through the *Produk Domestik Regional Bruto* (PDRB).

By looking at the economic development through PDRB, it will be known which sector out performs every year. The potential of an area if it is developed the maximumly it will bring benefits to the area and improve the welfare of the community.

Base on Tarigan (2005: 13):

Regional income is the level (amount) of the community's income in the area of analysis. Income can be measured from the total income of the region as well as the average people in the region. Regional development must be related to the increase of people's income in the region, that is the average income of society, so it is necessary to know the instrument and the method used to determine the level of income of the community.

To determine what sector is potential in a region then it can be known using LQ (Location Quotient method). According to Robinson in Sholehuddin (2015):

Some methods for sorting between base activities and non-base activities, there are: direct methods, indirect methods, mixed methods, and location quotient methods, for seeing the sector base or non-base used method of location quotient. The analytical tool frequently used in establishing the economic base or potential economic sectors or areas of priority of each region one of which is the size of the LQ (Location Quotient).

Through this analytical tool used in a region can be known which major sectors that provide economic benefits to this region and ultimately provide benefits to the national economy as a whole. Then using this LQ analysis tool can also be made by describing the sectors on the sub-sector or even the commodities. Based on Basuki (2009) :

Location Quotient Analysis (LQ) is an analytical tool to show the economic basis of a region, especially from contribution criteria. The analytical tool is also used to measure the concentration of an activity within an area with the role of an activity or similar industry in a regional or national economy.

The writer uses Malang as the target of this analysis because it is based on Malang City Local Regulation no.4 Year 2011 on the Spatial Plan of Malang City Region in 2010-2030 chapter two which states the realization of Malang City as a city of quality education, healthy city and environmentally friendly, culturally tourism city, to a developed and independent society. In chapter two of the second part of the third article there are six missions that are *satu mewujudkan dan mengembangkan pendidikan yang berkualitas, kedua mewujudkan peningkatan kesehatan masyarakat, ketiga mewujudkan penyelenggaraan pembangunan yang ramah lingkungan, keempat mewujudkan pemerataan perekonomian dan pusat pertumbuhan wilayah sekitarnya, kelima mewujudkan dan mengembangkan pariwisata yang berbudaya, keenam mewujudkan pelayanan publik yang prima* (first realize and develop quality education,

second to realize the improvement of public health, third to realize the implementation of environmentally friendly development, fourth ensure equitable economy and surrounding areas of growth centers, fifth realize and develop the cultural tourism, sixth embody public service excellence), so the writer are interested in used Malang as the target of the analysis to prove whether the vision and mission of long-term Malang City has been running or not based on the base sector parameters as a measurement.

Based on the above explanations, the writer conclude that the local government should know the base sector so that local government can take decide which sector should be improved based referring to the above conclusions, the writer will make the final project with the title: " Analysis of Base Sector Determination of Malang by Using LQ (Location Quotient) method.”

1.2 Objectives of Final Report

There are three objectives of this final report. First, to helping the local government for analyzing which sector becomes the base or the most influential sector in increasing the regional income. Second, as a reference for the readers who want to make the final report with the same theme. Third, as a reference for the readers who want to be a civil servant so they can be good civil servant and can help the local government.

1.3 Significance of Final Report

There are three benefits of this final report. First, for the local government, this final report can help them (especially Malang) in determining base sector and making decision of what sector can be developed to increase the local revenue. Second for the readers, this final report can be a source of information about what the base sector in Malang is. Third, for new entrepreneurs, this final report can help them who will open their business in Malang because it help them to know what business is profitable more.