

## Analysis of the Potential Economic Sectors on Poverty in Malang District and Madiun District

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### ABSTRACT

Development is an ongoing process embraced by nearly all nations globally, as it constitutes an integral aspect of a nation's pursuit of progress. The objectives of this research are delineated as follows: Firstly, to identify the fundamental sectors in Madiun Regency and Malang Regency. Secondly, to ascertain the sectors propelling growth in other regions within Madiun Regency and Malang Regency. Thirdly, to discern which sectors are experiencing accelerated growth rates in both regions. Fourthly, to determine sectors exhibiting specialization or locational advantages in Madiun Regency and Malang Regency. Lastly, to classify the economic growth within Madiun Regency and Malang Regency. Employing a descriptive-quantitative analysis method, this research provides an overview or description of the variables associated with the phenomenon under study. The findings of this research demonstrate a significant influence of the Basic Sector on poverty levels. Additionally, the coefficient of determination value, at 65.7%, corroborates the contribution of independent variables in elucidating variations in poverty levels.

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## **INTRODUCTION**

Development is a process of change undertaken by almost all nations worldwide because it is an integral part of a nation's efforts to achieve progress. Development encompasses planned efforts aimed at effecting changes with the primary goal of improving and elevating the standard of living, welfare, and human quality (Mohammad Ali, 2018). It is a collaborative endeavor between society and the government, where society serves as the primary actor in development, and the government is responsible for guiding, directing, and creating supportive policies for development.

In developing countries, development is predominantly focused on economic advancement due to economic underdevelopment. Economic development aims to support the attainment of goals or drive changes and innovations in other areas of life. It also seeks to eliminate or reduce poverty levels, income inequality, and unemployment rates in a region, while simultaneously creating job opportunities to enhance societal welfare.

Regional economic development planning involves efforts to plan the utilization of available public resources within a region to a greater extent than before through enhancing the capacity of the private sector in responsibly creating resource values. Socio-economic disparities, levels of development, and economic inequalities between regions serve as reasons for regional development planning.

The objectives of regional economic development planning include guiding activities as a framework for achieving development goals, improving the utilization of available public resources, enhancing the capacity of the private sector in responsibly creating resource values, estimating potentials, development prospects, barriers, and future risks, providing opportunities to obtain the best choices, obtaining priority scales of goal interests, and serving as a measuring tool or standard for monitoring and evaluation.

Regional economic development planning is supported by the establishment of security, smooth transportation systems to and from production centers, adequate market infrastructure availability, and the availability of raw material processing industries guaranteed by the local government. Consequently, the regional economy will experience rapid progress. Conversely, if not prioritized by the local government, there will be sluggishness in economic growth, and societal welfare will decline.

One effort to improve the economy of a region is by analyzing and identifying sectors with comparative and competitive advantages. These sectors are based on Gross Regional Domestic Product (GRDP) data, which serves as an indicator of economic growth in a region. Based on the classification of business fields, there are 17 sectors in GRDP used as economic indicators.

East Java Province is located on the eastern side of Java Island, covering an area of 47,799.75 km<sup>2</sup> comprising 38 regencies/municipalities. The economic development of a region over a specific period can be determined using economic growth indicators, which can be calculated based on changes in GRDP values. The GRDP value of East Java Province, based on constant prices in 2022, reached Rp 1,757.82 trillion. The GRDP of East Java Province increased by Rp 88.70 trillion compared to 2021, which was only Rp 1,669.11 trillion. The increase in GRDP based on constant prices with a 2010 base year in 2022 indicates economic

recovery in East Java Province after the COVID-19 era, which caused economic downturns and loss of competitiveness. The confidence level of the community in recovery and returning to pre-COVID-19 conditions significantly contributed to the economic improvement in East Java Province.

Madiun Regency is located on the western side of East Java Province. Madiun Regency covers an area of 1,010.86 km<sup>2</sup> or 101,086 hectares and administratively consists of 15 districts, 8 urban villages, and 198 villages. In 2021, the GRDP of Madiun Regency reached Rp 13.58 trillion, while in 2022, it reached Rp 14.16 trillion, showing an increase of Rp 0.58 trillion. This increase is supported by growth in the food and beverage processing industry, driving the competitiveness of wholesale and retail trade. Additionally, motor vehicle repairs and construction services also experienced growth.

Malang Regency is located on the eastern side of East Java Province. It is the second-largest regency after Banyuwangi among the 38 regencies/municipalities in East Java. This is supported by its vast area of 3,534.86 km<sup>2</sup> or 353,486 hectares. Administratively, Malang Regency is divided into 33 districts, 12 urban villages, and 378 villages. In 2021, the GRDP of Malang Regency reached Rp 68.61 trillion, while in 2022, it reached Rp 72.13 trillion, showing an increase of Rp 3.51 trillion. This increase is supported by growth in the food and beverage processing industry, driving the competitiveness of wholesale and retail trade. Additionally, motor vehicle repairs and construction services also experienced growth. The supporting sectors for the increase in GRDP in Malang Regency are the same as those in Madiun Regency. This fact serves as the basis for the researcher to address the title "Analysis of the Economic Sector Potential with Poverty in Malang Regency and Madiun Regency."

## **LITERATURE REVIEW**

### ***Regional Development Theory***

One aspect of regional development is sustainable economic development aimed at enhancing economic growth and structural transformation. Economic structural transformation may involve shifts from agricultural to non-agricultural activities, from industry to services, changes in production unit scales, as well as shifts in employment status. Therefore, regional development planning is highly appropriate when aligned with theories of economic growth, economic base theory, development pulses, and specialization theory.

### ***Regional Economic Potential Development Strategy***

It is commonly understood that the essence of economic development is primarily the increase of real per capita income alongside achieving fairness or equal distribution in income and business opportunities. By understanding the goals and targets of development, as well as the strengths and weaknesses of a region, the strategy for developing existing potentials will be clearer. Consequently, the formulated strategy will serve as a guideline for regional governments or any entity undertaking endeavors in the respective region.

### ***Potential Sectors in Regional Development***

Potential economic sectors or leading sectors can be interpreted as economic sectors or business activities that are productive and can be developed as development potentials, potentially becoming the economic base of a region compared to other sectors within the region, both directly and indirectly (Tjokroamidjojo, 2018: 74).

### ***Economic Base Theory***

The essence of economic base theory as articulated by Arsyad (2022:166) in Sadaul (2022: 20) states that the primary determinant of economic development in a region is the direct relationship with the demand for goods and services from outside the region. The development of industries utilizing local resources, including labor and raw materials for export, will generate regional wealth and job creation (job creation).

### ***Gross Regional Domestic Product (GRDP)***

One of the crucial macroeconomic indicators for understanding the economic conditions in a region during a specific period is the Gross Regional Domestic Product (GRDP). According to the Central Statistics Agency (2011:2), GRDP represents the total value-added produced by all production units within a specific geographical area or the total value of final goods and services produced by all economic unit.

Based on the theory explanation and previous research findings, the hypothesis of this study is as follows:

- a. There is a sector that serves as the economic base in Madiun Regency and Malang Regency.
- b. There is a sector that drives the development of other sectors in other areas within Madiun Regency and Malang Regency.

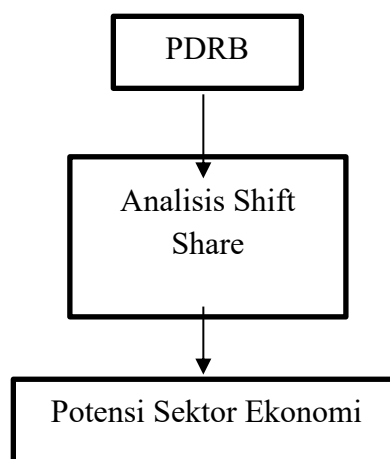


Figure 1. Conceptual Framework

## METHODOLOGY

### *Shift-Share Analysis*

Shift-Share Analysis is a technique used to analyze the economic development of a region as a change or improvement in certain indicators of regional economic development over a specific period (Robinson Taringan 2019: 11).

Shift-Share Analysis employs techniques to analyze the structural changes in the economy of a region compared to the national economy. The objective of this analysis is to reflect the performance or productivity of the regional economy relative to a larger region (regional or national) (Arsyad, 2022: 15).

Shift-Share Analysis is an important technique used for analyzing the structural changes in the economy of a region compared to the national economy. This analysis is essential for evaluating the performance or productivity of the regional economy compared to a larger scale. (Robinson Tarigan, 2019:46) To understand the process of economic development in a specific region using Shift-Share analysis, significant variables such as labor force, investment, and income are employed. In this analysis, the income variable, namely GRDP, is utilized to explain the economic development in Madiun Regency and Malang Regency, which can be dissected into Shift and Share components as follows:

a. National Share Component (Ns)

This indicates the amount of increase in GRDP of the Regency/City if its economic growth rate matched that of the Province during the specified period in the study.

b. Proportional Shift Component (P)

It measures the extent of the regional net shift caused by the composition of industrial sectors in the region. This component is positive in regions specialized in sectors that experience rapid national growth ( $P > 0$ ), and negative ( $P < 0$ ) in regions specialized in sectors experiencing slow growth or decline nationally.

c. Differential Shift Component (D)

This evaluates the extent of the net regional shift due to industrial sectors growing faster or slower in the region compared to the provincial level, caused by locational factors. Regions with advantageous locations, such as abundant resources, will have a positive differential shift component ( $D > 0$ ), while regions lacking such advantages will have a negative differential shift component ( $D < 0$ ).

## RESEARCH RESULT

Shift-Share Analysis in Malang and Madiun Regencies Shift-Share Analysis is a regional economic analysis tool used to assess the relative contributions of different factors to the economic growth of a specific area. This method aids in comprehending changes in industrial structure and regional economic development by differentiating between internal and external factors. The outcomes of the shift-share analysis for Malang Regency in 2017 and 2022 are depicted in tables 1 and 2.

**Tabel 1. Analysis Shift Share Malang District 2017**

SECTOR	2017		
	PR	PS	DS
Pertanian Kehutanan dan Perikanan	Rp187,849,098,880,52 0	Rp2,016,753,972,152,6 00	Rp158,732,954,211,7 09
Pertambanga n dan Penggalian	Rp21,299,381,400,495	Rp292,191,349,849,93 9	- Rp23,198,197,468,42 8
Industri Pengolahan	Rp340,465,587,403,06 9	Rp4,512,867,154,706,0 20	Rp349,405,144,307,9 20
Pengadaan Listrik dan Gas	Rp915,555,648,555	Rp10,115,880,435,233	-Rp785,994,400,767
Pengadaan Air Pengolahan Sampah dan Daur Ulang	Rp1,098,040,543,212	Rp13,378,958,297,521	Rp1,039,935,797,313
Kontruksi	Rp145,414,284,416,59 8	Rp1,670,444,707,430,4 60	Rp130,013,602,012,9 59
Perdagangan Besar dan Eceran	Rp210,197,924,984,05 7	Rp2,708,984,626,899,9 90	- Rp210,386,919,830,4 26
Transportasi dan Pergudangan	Rp13,597,316,474,655	Rp176,063,886,200,80 7	- Rp13,595,012,398,73 7
Penyediaan Akomodasi dan Makan Minum	Rp37,358,302,624,356	Rp458,814,509,289,60 5	- Rp35,446,841,237,88 7
Informasi dan Komunikasi	Rp44,282,207,872,429	Rp602,160,345,083,82 7	- Rp46,424,711,697,78 6

Jasa Keuangan dan Asuransi	Rp19,023,267,474,203	Rp231,907,011,724,882	- Rp18,057,901,785,925
Real Estate	Rp14,829,747,060,398	Rp192,028,494,843,614	- Rp14,780,782,272,430
Jasa Perusahaan	Rp4,123,507,334,798	Rp50,151,680,123,319	-Rp3,910,741,723,497
Administrasi Pemerintah Pertahanan dan Jaminan Sosial Wajib	Rp20,562,302,742,253	Rp242,188,257,053,523	- Rp19,013,149,287,702
Jasa Pendidikan	Rp26,143,810,529,148	Rp307,993,977,901,282	- Rp24,064,614,451,307
Jasa Kesehatan dan Kegiatan Sosial	Rp6,093,642,813,837	Rp85,107,679,865,335	-Rp6,576,286,516,489
Jasa Lainnya	Rp21,183,653,162,565	Rp253,730,290,885,912	Rp19,898,750,948,746

**Tabel 2. Analysis Shift Share Malang District 2022**

SECTOR	2022		
	PR	PS	DS
Pertanian Kehutanan dan Perikanan	Rp216,520,268,839,516	Rp2,016,753,972,152,600	Rp158,732,954,211,709
Pertambangan dan Penggalian	Rp22,940,242,488,281	Rp292,191,349,849,939	-Rp23,198,197,468,428
Industri Pengolahan	Rp477,137,755,716,590	Rp4,512,867,154,706,020	Rp349,405,144,307,920

Pengadaan Listrik dan Gas	Rp1,187,091,167,853	Rp10,115,880,435,233	-Rp785,994,400,767
Pengadaan Air Pengolahan Sampah dan Daur Ulang	Rp1,452,113,842,592	Rp13,378,958,297,521	Rp1,039,935,797,313
Kontruksi	Rp187,477,490,999,636	Rp1,670,444,707,430,460	Rp130,013,602,012,959
Perdagangan Besar dan Eceran	Rp284,149,270,997,109	Rp2,708,984,626,899,990	-Rp210,386,919,830,426
Transportasi dan Pergudangan	Rp19,387,736,275,475	Rp176,063,886,200,807	-Rp13,595,012,398,737
Penyediaan Akomodasi dan Makan Minum	Rp52,211,721,369,784	Rp458,814,509,289,605	-Rp35,446,841,237,887
Informasi dan Komunikasi	Rp64,986,916,465,901	Rp602,160,345,083,827	-Rp46,424,711,697,786
Jasa Keuangan dan Asuransi	Rp24,760,457,295,456	Rp231,907,011,724,882	-Rp18,057,901,785,925
Real Estate	Rp21,733,362,292,730	Rp192,028,494,843,614	-Rp14,780,782,272,430
Jasa Perusahaan	Rp5,294,316,391,254	Rp50,151,680,123,319	-Rp3,910,741,723,497
Administrasi Pemerintah Pertahanan dan Jaminan Sosial Wajib	Rp24,616,548,480,109	Rp242,188,257,053,523	-Rp19,013,149,287,702

Jasa Pendidikan	Rp32,735,685,951,734	Rp307,993,977,901,282	-Rp24,064,614,451,307
Jasa Kesehatan dan Kegiatan Sosial	Rp8,835,299,879,072	Rp85,107,679,865,335	-Rp6,576,286,516,489
Jasa Lainnya	Rp25,688,036,657,043	Rp253,730,290,885,912	Rp19,898,750,948,746

## DISCUSSION

Based on the research findings, the following conclusions can be drawn:

1. In Malang Regency in 2017 and 2022, there are 5 basic sectors that can drive the growth of the Provincial Gross Regional Domestic Product (PDRB) with relatively rapid growth and local advantages, including Agriculture Forestry and Fisheries, Manufacturing Industry, Water Supply Waste Treatment and Recycling, Construction, and Other Services. Meanwhile, in Madiun Regency in 2017, there are 7 business sectors that are included in the basic sectors, including Agriculture Forestry and Fisheries, Water Supply Waste Treatment and Recycling, Construction, Information and Communication, Government Administration Defense and Mandatory Social Security, Education Services, Health and Social Activities, and Other Services. While in 2022, the sectors included in the basis in Madiun Regency include Agriculture Forestry and Fisheries, Water Supply Waste Treatment and Recycling, Construction, Information and Communication, Financial Services, Real Estate, Government Administration Defense and Mandatory Social Security, Education Services, Health and Social Activities.
2. Based on the analysis conducted using SPSS application, a correlation between the formation of independent variables (Basic Sectors) and dependent variables (Poverty) was found to be 65.7%. This is in line with previous research conducted by several experts, including research conducted by Karimah and Aisyah (2023) who explored the relationship between basic sectors, which were divided into programs for education and services in each sector throughout the province, with poverty rates. The results of this research indicate a significant relationship between basic sectors and poverty. For example, Wahyudi, and Qodri (2023) investigated factors influencing the poverty rate in South Kalimantan. They found that Gross Regional Domestic Product (GRDP), population size, and unemployment rate have a significant influence on the poverty rate, especially in 2018.

## **CONCLUSIONS AND RECOMMENDATIONS**

### **Conclusion**

The conclusions drawn from this study are as follows: In this research, the regression analysis conducted using ANOVA revealed that the regression model has a significant impact on the response variable, namely the poverty level (Poverty). The ANOVA results indicated that the regression provides a significant contribution to the variation in the poverty level, with a significant F-ratio value and p-value (Sig.) less than alpha (0.05). Therefore, it can be accepted that there is a significant influence of the Basic Sector on the poverty level.

Further analysis on the coefficient of determination revealed that the regression model can explain as much as 65.7% of the variation in the independent variable (Poverty). This coefficient of determination provides an understanding of how much the model can explain the variation in the data, and these results indicate that the independent variable (Basic Sector) plays a crucial role in explaining the poverty level.

In discussing the research findings, the conclusion drawn is that there is a significant influence of the Basic Sector on the poverty level. The coefficient of determination value of 65.7% also indicates the contribution of the independent variable in explaining the variation in the poverty level. These results are consistent with previous studies, such as the research by Karimah and Aisyah (2023), which revealed a significant relationship between basic sectors and the poverty level.

Based on the research conducted by Surti, Wahyudi, and Qodri (2023) regarding the factors affecting the poverty rate in South Kalimantan, and the study by Halid and Bempah (2023) on the impact of agricultural sectors as the basis for poverty, these research findings can be seen as additional contributions to understanding the factors influencing poverty.

In the context of Corporate Social Responsibility (CSR) literature, the study by Buldianto and Dewi (2023) highlighted the role of CSR in poverty alleviation efforts. This finding is in line with the results of this study, which indicate that the Basic Sector plays a significant role in understanding and addressing poverty issues. Overall, these research findings provide an important contribution to understanding the relationship between the Basic Sector and the poverty level, and can be used as a basis for more effective policy development to address poverty issues.

### **Recommendations**

Based on the research findings, several recommendations can be suggested, including:

1. **Model Validation:** Since the regression model indicates a significant impact on the poverty level, it is recommended to further validate the model. Utilizing other methods or incorporating additional data can help ensure the reliability and generalization of the model, thereby making the research findings more convincing.
2. **Analysis of Additional Variables:** For a more comprehensive understanding, it is recommended to add additional variables that may affect the poverty level. These additional variables could involve social,

economic, or environmental aspects that may not have been included in the current study.

3. **Consideration of Contextual Factors:** Considering that this research builds upon previous studies, it is important to consider contextual factors that may influence the relationship between the Basic Sector and the poverty level. Social, economic, or political conditions in the region may impact the interpretation of the results.
4. **Policy Implementation:** These findings can serve as a basis for developing more effective policies to address poverty issues. It is recommended to involve key stakeholders, such as governments, businesses, and communities, in designing and implementing these policies.
5. **Further Research:** To gain a deeper understanding, it is suggested to conduct further research with more refined methods or different approaches. This can help validate the results and provide a more comprehensive view of the relationship between the Basic Sector and the poverty level.
6. **Integration of CSR:** In the context of CSR, it is recommended to further explore the role of CSR in reducing the poverty rate through collaboration between businesses, governments, and communities. This can involve implementing focused and tailored CSR programs to alleviate poverty.
7. **Comparative Research:** Conducting comparative research with previous studies, especially those mentioned in the conclusions, can enrich the understanding of the factors influencing poverty. This will enhance the understanding of the contribution of the Basic Sector in a broader context.

By taking these steps, it is hoped that the research findings can significantly contribute to understanding and addressing poverty issues, as well as providing guidance for more effective policy development.

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