



Analysis of Essential Industries and Other Fundamentals as Well As Financial Competitiveness in Driving Economic Growth in Medan City

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ABSTRACT

Economic growth is an indicator of economic development in the process of economic growth. The benchmark economists use to look for signs of economic growth in a country or region is regional gross domestic product (GDP). This study's goal is to evaluate which industries are included in the primary and non-primary sectors and how economic competitiveness accelerates economic growth in Medan City. This study uses quantitative research methods with class analysis tools Location Question (LQ), Shift Share and Typology. The results of the study based on the results of location inquiry analysis show that there are 12 basic sectors, namely: the field of water supply, waste treatment, waste and recycling; Construction; wholesale and retail trade, repair of cars and motorcycles; transportation and storage, provision of shelter and food; Information and Communication; financial and insurance services; Housing; business services; Education services, health services and social services and other services as well as five other economic sectors are non-core sectors of Medan City. The results of the Shift Share analysis show that almost all economic sectors in Medan City have a positive Differential Shift value, meaning that these economic sectors have strong competitiveness or high competitive advantages compared to the same industry in the Sumatran economy

INTRODUCTION

Regional economic development is a process by which local governments and their communities manage existing resources and form a partnership model between local governments and the private sector to create new jobs and stimulate the development of economic activities in the regions. The main objective of any regional economic development is to increase the number and type of employment opportunities and increase the competitiveness of local communities. To achieve this goal, the city government and its communities must jointly take regional initiatives to develop potential and competitiveness in regional economic development. Economic growth is an indicator of economic development in the process of economic growth. The benchmark economists use to look for signs of economic growth in a country or region is regional gross domestic product (GDP). The process of economic growth reflects the economic activities carried out and achieved by the inhabitants of a country or region during a certain period. The role of the economic sector as a driver of economic growth is becoming increasingly important.

Medan City is one of the 33 administrative regencies / cities of North Sumatra Province and is also one of the largest cities in Indonesia. The city of Medan is also experiencing development in accordance with the rapid population growth, which causes various problems, including economic growth problems. states that economic growth specifically reflects the impact of government policies on economic sectors. Economic growth is a growth rate that consists of various sectors of the economy and indirectly describes the rate of economic growth. states that the main factor behind the economic growth of a region is directly related to the demand for goods and services from outside the region. Economic growth means the development of activities in the economy that result in an increase in goods and services produced by the community and an increase in wealth and welfare of the community Developing the economic potential of leading sectors that have the greatest impact on regional economic development is a political priority that must be implemented by local governments.

LITERATURE REVIEW

An important factor in regional development planning is to build a highly competitive regional economy so that it can continue to develop and support the growth of other sectors. In the implementation of economic development Special criteria are needed when defining the basic industry or the main industry. The primary sector is at the heart of regional economic development because it can generate income both for the region itself and from other regions. Basic economic theory divides all economic activity into two parts, viz. basic and non-base sectors. Fundamental activities are defined as community activities that produce goods or services that are intended to be exported outside the community environment, or that are directed externally, regionally, nationally, and internationally. The development of the economic sector in relation to leading sectors not only has an impact on accelerating economic growth, but also on fundamental changes in the structure of the economy. The leading sector is an industry whose existence today because of its excellence has played an important

role in regional economic development. In addition, this factor continues to develop due to investment activity and becomes the basis of economic activity. It depends on the size of the sector's role in the regional economy.

METHODOLOGY

Quantitative research was used in this study. Quantitative research is a positivism-based research method that studies a specific population or sample. The sampling procedure is usually done randomly. Research tools are collected and used. Data analysis is quantitative / statistical which aims to test the hypothesis that has been determined (Sugiyono, 2008). This study also used an approach using the Shift Share local quotient analyzer and Typology classes.

a. Place and time of study

The location of the research was conducted in Medan City to identify core and non-core sectors, competitiveness and economic potential of Medan City. Then when the study was conducted in 2011-2018

b. Data and data sources

This study uses secondary data that describes economic growth variables, namely the Gross Domestic Product (GRDP) of Medan City and North Sumatra Province on the basis of constant prices in 2010. Data collected from 2011 to 2018 were sourced from the Central Bureau of Statistics of North Sumatra Regency and the Central Bureau of Statistics of Medan City.

c. Data Analysis Methods

To obtain a mapping of the dominant and superior resources in Medan City, several levels of analysis are needed. The following steps are taken in the analysis:

- Local Quotient (LQ) analysis is used to determine the core and non-core sectors of the Medan City regional economy.
- Change share analysis shows the current competitiveness of Medan City.
- Klasen Typology Klasen typology analysis is used to determine the classification of the economic sector of the city of Medan

RESULTS AND DISCUSSION

Analysis of Local Quotient (LQ)

Local Quotient (LQ) is a simple, fast and accurate analysis tool that can be used repeatedly with different reference changes and time periods. Local quotient is the ratio of the gross domestic product of a particular sector compared to the total gross domestic product value of a region for the same sector indicating a higher level of the economy.

Table 1. Results of Location Quotient (LQ) Calculation of Medan City in 2011-2018

No	Economic Sector	2012	2013	2014	2015	2016	2017	2018	Flat-flat	Ket
A	Agriculture, Forestry and Fisheries	0.05	0.04	0.04	0.04	0.04	0.04	0.04	0.04	Non Base
B	Mining and Quarrying	0.00	0.00	0.00	0.00	0.00	0.00	0.00	0.00	Non Base
C	Processing Industry	0.81	0.80	0.79	0.76	0.75	0.75	0.75	0.78	Non Base
D	Electricity and Gas Procurement	1.08	0.94	0.87	0.76	0.80	0.80	0.81	0.90	Non Base
E	Water Procurement, Waste Management, Waste and Recycling	1.79	1.77	1.77	1.78	1.78	1.82	1.86	1.80	Base
F	Construction	1.49	1.51	1.53	1.56	1.58	1.57	1.56	1.53	Base
G	Wholesale and Retail Trade; Car and Motorcycle Repair	1.39	1.44	1.46	1.48	1.49	1.48	1.47	1.45	Base
H	Transportation and Warehousing	1.97	1.63	1.35	1.31	1.30	1.30	1.30	1.52	Base
I	Provision of Accommodation and Food & Drink	1.10	1.09	1.12	1.13	1.11	1.10	1.08	1.10	Base
J	Information and Communication	2.46	2.53	2.56	2.47	2.43	2.42	2.41	2.47	Base
K	Financial Services and Insurance	2.24	2.20	2.23	2.18	2.15	2.14	2.13	2.20	Base
L	Real Estate	1.79	1.82	1.84	1.86	1.82	1.81	1.84	1.82	Base
M,N	Company Services	2.69	2.71	2.68	2.64	2.63	2.63	2.60	2.66	Base
O	Government Administration, Defense and Social Security Mandatory	0.52	0.54	0.54	0.52	0.51	0.51	0.52	0.52	Non Base
GRDP	Education Services	1.41	1.41	1.43	1.47	1.47	1.46	1.45	1.43	Base
Q	Health Services and Social Activities	1.49	1.48	1.54	1.57	1.58	1.59	1.61	1.54	Base
R,S,T,										
U	Other services	2.09	2.12	2.12	2.11	2.10	2.11	2.09	2.11	Base

Source : Secondary Data Processed, 2020

The results of the LQ analysis show that of the seventeen economic sectors, there are twelve sectors that are fundamental or superior sectors in Medan City and have an average LQ value of more than 1, which means the role of that sector in the region. The economy is higher in the area and can be used as an indication that the area has a surplus of industrial products I so as to effectively export it to other regions and shows that the area has a defined comparative advantage of industry I.

The industries with the highest QL scores were Business Services with a QL average of 2.66, followed by Information & Communication with a QL average of 2.47 and Financial & Insurance Services with a QL average of 50% with an average of 2.20. Other service sectors with an QL score of 2.11 include real estate, which has an average QL score of 1.82, and water supply, sewage treatment, garbage, and recycling, with an average QL score of 1.80. The health and social activities sector with an average QL value of 1.54 was followed by With an average QL rating of 1.53, the construction industry is the focus of this study. examine which industries are most profitable in the shipping and warehousing sector. 1.52. wholesale and retail, car and motorcycle repair with an average QL of 1.45, education services with an average QL of 1.43 and finally accommodation and catering with an average QL of 1.10. These sectors are the basic or general sectors of the city of Medan. That is, these sectors are able to meet the needs of both their own regions and the needs of other regions. These industries have great potential if fully developed and can be a means to improve the economy of the city of Medan because it has good strength and prospects.

Shift Share (SS) Analysis

Change-share analysis examines regional economic performance, structural changes, relative position of economic sectors and identification of regional leading sectors in relation to the economy of the reference region over two or more time periods. Shift Share analysis is useful for looking at regional development for a wider area, for example development from district to province or development from district to national level. With Shift Share you can know the development of the industry compared to other sectors. and you can compare the economic pace in the region.

Table 2. Calculation of Shift Share Analysis in Medan City in 2011-2018

No	Economic Sector	Share	Shift	Shift	Performance
1	Agriculture Forestry, and Fishing	7,589.24	(727.90)	(3,008.80)	3,852.54
2	Mining and Excavation	11.42	7.85	(24.88)	(5.62)
3	Processing Industry	104,947.84	(31,103.86)	(10,581.53)	63,262.45
4	Electricity Procurement and Gas	853.22	(197.16)	(521.94)	134.13
5	Water Procurement, Management Garbage, Waste and recycling	1,178.34	(2.89)	94.50	1,269.95
6	Construction	129,333.59	22,882.81	33,702.20	185,918.60
7	Big Trade and Retail; Repair Automobiles and Bicycles Motor	173,840.98	14,193.17	41,957.52	229,991.67
8	Transportation and Warehousing	46,549.27	12,152.67	(40,505.99)	18,195.95
9	Provision Accommodation and Food & Drink	16,899.19	4,863.88	2,304.26	24,067.33
10	Information and Communication	42,569.16	19,552.28	1,949.72	64,071.16
11	Financial Services and Insurance	45,968.30	(482.03)	(4,621.96)	40,864.32
12	Real Estate	51,371.39	11,116.35	6,047.75	68,535.49
13	Company Services	15,903.85	4,086.48	(378.18)	19,612.15
14	Administration Government Defense and Social Security Mandatory	11,661.41	(1,498.15)	3,384.90	13,548.16
15	Education Services	19,765.85	272.25	4,947.45	24,985.56
16	Health Services and Social Activities	9,728.18	5,895.13	2,194.06	17,817.37
17	Other services	7,132.13	2,070.85	85.35	9,288.32
	GRDP	685,303.35	63,081.73	37,024.44	785,409.52

Source : Secondary Data Processed, 2020

Interpretation of Analysis Results

1. The effect of North Sumatra's economic growth (national growth effect / national share) on the regional economy of Medan city shows positive value in all economic sectors with a total production value of 685,303,350 rupiah which means that the economy of the city area Medan City is growing faster than the average growth of North Sumatra province. The fastest growing industry in Medan City compared to the average growth of North Sumatra province is large trade and retail. Car and motorcycle repair shops with the most components (national share) among all sectors in Medan City are 173,840.98. Construction followed with 129,333.59 and manufacturing with 104,947.84. Then the sector with the slowest growth in Medan City compared to the average growth of North Sumatra province is the mining and quarrying sector 11.42, then the industries of electricity and gas (853.22), water management, waste management, and recycling. 1,178.34.
2. Relative changes in the overall or overall economy of Medan City are classified as advanced. This is indicated by a positive Proportional Shift value of 63081.73. In the economy of North Sumatra Province, because the transition value is relatively positive, there are eleven sectors that are classified as advanced or fast growing compared to the same sector, including mining and quarrying with a value of 7.85, construction sector 22,882.81, large trade and retail business. ; Auto and motorcycle repair shops 14,193.17, transportation and warehousing 12,152.67, housing and food and beverage industry 4,863.88 information and communication industry 19,552.28, real estate industry 11,116.35, education sector 425,2,8 services 425.8. Service sector and social activities 5,895.13 and other service sector 2,070.85. Meanwhile, the economy of North Sumatra Province has six sectors that are classified as slow or growing compared to the same sector, namely the Agriculture, Forestry and Fisheries sector with a value of -727.90, the Industrial sector -31,103.86 and the electricity and gas sector- Acquisition sector 197.16, industrial water supply, waste management, waste and recycling sector -2.89, financial and insurance sector -482.03 and government administration sector, Defense and Compulsory Social Insurance -1498.15.
3. Total or Total Differential Transfer The economy of Medan City shows regional competitiveness or high or strong competitive advantage compared to the economy of North Sumatra. This is reflected in the positive Differential Change value of 37024.44. By sector, almost all economic sectors in Medan City show positive Differential Shift values. namely water supply, waste management, waste and recycling, construction, wholesale and retail trade; Auto and motorcycle repair shops, housing and food and beverage industry, information and communication industry, real estate industry, government administration, defense and compulsory social insurance, education service industry, health service industry and social service industry and others. That is, the economic sector has strong

competitiveness or high competitive advantage over the same economic sector in North Sumatra.

3. The economy of the city of Medan achieved very positive results in terms of the total value of products in the period 2011-2018, as the absolute value increased and the output of the regional economy amounted to 785,409.52 euros.

CONCLUSIONS AND RECOMMENDATIONS

Conclusions

From the results of research and calculations conducted with Local Quotient (LQ), Shift Share (SS) and Class Typology Analysis in Medan City for the period 2011-2018, the following conclusions can be drawn:

1. The results of the study show that there are twelve sectors that are basic or superior sectors, namely: water supply, sewage treatment, waste and recycling sectors; in the construction industry; in the field of wholesale and retail trade; Car and motorcycle repair; transport and storage industry; housing and food industry; information and communication field; financial services and insurance industry; in real estate; Business Services, Education Services; Health and social activities and other services. Non-core sectors also include agriculture, forestry, and fisheries; mining and quarrying sector; in the processing industry; The electricity and gas sector as well as the defense administration sector and compulsory social insurance.
2. The results of the study show that the economy of Medan as a whole or as a whole has regional competitiveness or a high or strong competitive advantage against the economy of North Sumatra. This is reflected in the positive differential displacement value. By sector, almost all economic sectors in Medan City show positive Differential Shift values. That's what it means The economic sector has strong competitiveness or high competitive advantage compared to the same economic sector in North Sumatra.
3. The results of the study show that based on the results of the analysis there are nine developed and rapidly developing industries in the city of Medan, including; Water supply, waste management, waste and recycling, construction, wholesale and retail trade; Car and motorcycle repair, accommodation and food and beverage, information and communication, real estate, educational services, health services and social activities and other service areas.

Recommendations

1. For the Medan City Government, the development of all existing economic potentials, especially the base sector that drives the economy, will be further advanced by providing convenience for economic actors both in terms of business licenses and investment. in all sectors of the economy. The base sector may benefit from the non-base sector's support. that must be strengthened again for economic growth and the national economy itself to survive and develop. There is a balance between the driving sector and the overlapping supporting sector, so people's financial flexibility is very good. The government should also support this.
2. Investors must also be able to cooperate well with the state in developing all existing industries, both in terms of employment and job creation.

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