

# CHAPTER I

## INTRODUCTION

### A. Background

The development of economic is an effort to create the welfare of the society. Therefore, the results of development should be enjoyed by all of people as a form of an increase in physical and spiritual well-being, in a fair and equitable manner. Regional economic development is a process that local government is managing existing resources and establish a pattern of partnership between local government and private sector such as to create a new job and stimulate the development of economic growth in that region.

One of effort from regional economic development to increase society's well-being is to improve number and amount of job opportunities to local communities. In order to increase the job oppurtunity in the local region, local government and its people must working together to take the initiative of regional development. One of the strategy is local governments with communities manage the resources and have to be able to forecast potential resources to design and construct regional economy with regional autonomy authority.

Regional autonomy marked by the birth of two products legislation, that Law No.32 of 2004 (change to Law No.23 of 2014) about Regional Government and Law No.25 of 1999 (change to Law No.33 of 2004) about Financial Balance between Local Government and Central Government. The

birth of that legislation greeted positively by many people with all hope that through regional autonomy will be able to stimulate an effort to eliminate centralized practices on one side considered to be less advantageous for regional and local population. Autonomy era has been giving the opportunity to local governments, both provincial and district to develop its own potential areas. In other words, regional country has given a policy to manage his own financial balance and determine control development to reach all of the welfare society, to make sure all of potential can be managed, all of resources and another factors, even supporting factor nor inhibiting factor. Because of that an area need variety of data as a basis of reference, even preparation for evaluation of the economic development in areas that have been implemented as well as formulation of planning in the future.

Regional development must conform to potential condition and aspiration of society which always grow and develop. If the implementation priorities of regional development less correspond with potential from each region, the utilization of existing resources will be less than optimal. That situation can lead to the slow process of regional economic growth that concerned.

The autonomous regions have an authority to organize and serve public interest based on public aspirations and development plan in accordance with the legislation. Based on that, a region needs to have a central concept in regional planning that includes basic philosophy, vision, mission, policy and strategy development as a guideline for the governance and management development in a region. Therefore, it was realized that the implementation of

regional development is not the responsibility of government overall but is the responsibility of all parties and communities of Pontianak regency, so that the results can be beneficial to all parties.

West Borneo with provincial capital of Pontianak is one of the fourth largest province in Indonesia with 12 regencies and 2 cities therein. So that the distance from regency to provincial center of government relatively far away. Besides of that, distribution of population in each regency also uneven areas where there is a very densely populated and there also very rare. Most of the livelihood of West Borneo is from agriculture sector.

Pontianak regency is a regency of 2 cities and 12 regencies in the province of West Borneo. As one of the autonomous region has an authority to run the administration and development as well as providing services to people, has broad authority to manage, plan and take advantage of potential economic optimal, which can be enjoyed by entire community in Pontianak regency.

As part of the capital Pontianak city, Pontianak regency is located in a strategic location to increase tourism and agriculture as the sector that experienced a significant increase in West Borneo.

Pontianak regency administrative area after an expansion in 2007, which originally amounted to 82,621 hectares, becoming 27,978.8 ha, based on the Minister of Internal Affairs Number 6, 2008. While the Kubu Raya regency of

54,641.2 hectares. Thus 66.14% Pontianak regency is in expansion territory Kubu Raya regency.

Gross Regional Domestic Product (GRDP) of West Borneo by constant prices in 2014 show that the agricultural sector are on the greatest contribution (23.71%) followed by trade, hotels and restaurants (21.04%) and manufacturing industry amounted to 15.47%. Whereas for electricity, gas and water are also mining and quarrying has not shown the numbers good one.

The development of real income earned by population indicated by Regional Income per capita. Seen from regional income per capita at constant market prices (in billion Rupiah) in period 2010-2014 increasing from year to year. In 2010, Rp 3,310,824.1 become Rp 3,410,002.1 in 2011 or increase 3 %. And in 2012, Rp 3,410,002.1 or increase 4.06 % while in 2013, Rp 3,741,355.3 or increase 5.44 %. And in 2014, Rp 3,965,684.1 or increase 6 %.

**Table 1.1**  
**Gross Regional Domestic Product at 2010 Constant Market Prices**  
**in Pontianak Regency, 2010-2014 (Billion Rupiah)**

| Year | GRDP        | Growth Rate<br>(Percent%) |
|------|-------------|---------------------------|
| 2010 | 3,310,824.1 | 1.65                      |
| 2011 | 3,410,002.1 | 3.00                      |
| 2012 | 3,548,333.6 | 4.06                      |
| 2013 | 3,741,355.3 | 5.44                      |
| 2014 | 3,965,684.1 | 6.00                      |

Source: BPS of Pontianak regency

GRDP growth rate of Pontianak Regency contributed by 9 (nine) sectors: agriculture, mining and excavation, industry processing, electricity, gas and water, building and construction, trade, hotels and restaurants; transportation and communication, banks and other financial institutions, and services.

Economic development of Pontianak regency can not be separated from economic growth; in which economic development can drive economic growth, and vice versa, economic growth facilitate process of economic development, thus their economic growth is an indication of the success of economic development, namely economic growth is the process of industrial capacity in Pontianak regency experienced a significant progress, as known development as a process, because regional development is to be lived and accepted in the community with step by step of development.

**Table 1.2**  
**GRDP Contribution of Pontianak Regency in 2014 at Constant Market Prices**

| Sector                   | GRDP              | Contribution (%) |
|--------------------------|-------------------|------------------|
| Agriculture              | 8957089.8         | 23.7 %           |
| Mining                   | 661708.7          | 1.7 %            |
| Manufacturing            | 5845244.9         | 15.4 %           |
| Electricity, Gas, Water  | 159782.5          | 0.4 %            |
| Construction             | 3551817.5         | 9.4 %            |
| Trade, Hotel, Restaurant | 8084656           | 21.4 %           |
| Transportation           | 3819566.6         | 10.1 %           |
| Financial Activities     | 2160152.3         | 5.7 %            |
| Other Service Activities | 4536108.5         | 10 %             |
| <b>Total</b>             | <b>37776126.8</b> |                  |

Source: BPS of Pontianak regency, Regional revenue of Pontianak Regency

Based on Table 1.2, all of sector from Gross Regional Domestic Product of Pontianak Regency at last year (2014) contributing 1 % above except sector of electricity, gas, and water only contributes 0.4 % that become smallest sector contribution. And biggest sector contribution is agriculture sector with 23.7 %, only difference 2.3 % with sector of trade, hotel, and restaurant 21.4 %.

Problem in Pontianak regency relating with potential economic that is not yet known area of each regency or city that is used to stimulate the development of construction. With regional autonomy, all of regencies/cities run their own local development. But the province has a role as coordination among regencies /cities that province should know which areas could serve as an example to stimulate development of construction.

Last important issue that is not their basis sector priority in the development of construction. Nine sectors owned by regency/city has a program in their economic activities. However, not all can be run simultaneously. It is constrained by budget allocated, then RPJMD and "urgency" of a program. Because of that, determination priority of basis sector must be done with hope of government policy and limited budget in basis sector priority.

Even rate of economic growth last five year in other regency/city is a good, but each regency/city must increase their GRDP. In order to regional revenue make a positive impact to society, need to avoid economic activity or haram sector, regional government must be innovative and creative with follow law of Islam to

exploit potential economic sector and developed. Because many potential sector that owned by regional regency/city can't be optimized.

The number of provinces and regencies / cities in Indonesia that spread from Sabang to Merauke and diversity of different potential areas need to be serious attention in the development of construction by government. Not every region has same economic potential, for research and advanced studies continuously should be done so that development in the area more quickly and in accordance with state of the area. The government should also ensure that such potential is not controlled by foreign parties arbitrarily so that would adversely impact the area.

## **B. Problem Limitation**

Actually, there are a lot of factors that influence economic development in a region. Because of that, writer only limiting the discussion of economic sector in Pontianak regency and data that will be used is yearly or annual data from 2010 until 2014.

## **C. Research Questions**

Based on the background that explained before, then the problem in defined as:

1. What are economic sectors that become leading sector in Pontianak Regency?
2. How about performance from each economic sector in Pontianak Regency?

#### **D. Research Objectives**

Based on the research questions, thus the objectives of this paper are:

1. To analyze and determine the economic sectors that become dominant sector in regional development in PontianakRegency.
2. To know and analyze the performance of each economic sector in Pontianak Regency.

#### **E. Research Benefits**

The benefits which could be gained from this research are:

1. It can help GRDP and potential sector in Pontianak regency toward West Borneo province in order to development plan in the future.
2. It can add knowledge about determination leading sector in Pontianak regency and used to analysis another regional in Indonesia or abroad.
3. It is expected could be input analysis and comparison for the other researchers.
4. It is expected to become a suggestion in order to make some policy for regional government.