

## **CHAPTER I**

### **INTRODUCTION**

#### **A. Background**

National development that progressing in Indonesia are also development in all aspect of life materially as well as spiritually to realize equitable and prosperous society based on pancasila within Negara Kesatuan Republik Indonesia (NKRI). The implementation of national development never apart from the contribution of local development, because local development is integration from national development that aims to improve standard of living and the prosperity of local society. (Musthoffa, 2009)

One of the sector that also has attention from the government is economic development. Economic growth is the indicator of the economic development process that conduct in national level as well as regional. The increasing population, industrial growth, aviability of job field, demanding the development stakeholders especially local stakeholders to activate all of it's economic sector maximumly to produce goods and services that needed by the society in forms of aggregated output every year.

The process of the rate of economic growth of a region is shown by using the rate of increase of Gross Regional Domestic Product (GRDP), so that the level of per capita GRDP growth achieved by the community is often a measure of success an area in achieving the ideals to create economic development. Potential areas that are managed and utilized optimally will have a positive impact on people's welfare and economic stability. In addition, another effect of good and

optimal management is the equitable distribution of national income. The level of welfare of the area can be seen from the distribution of people's income.

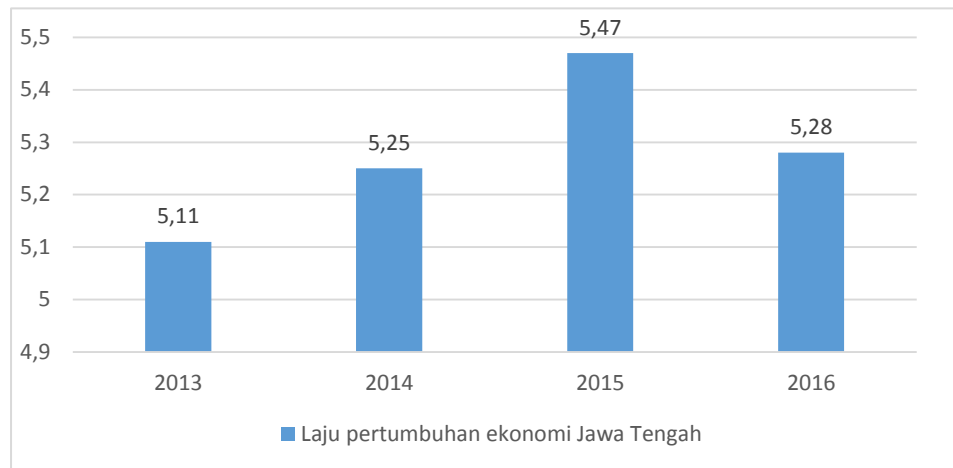
In order to improve the effectiveness and efficiency of achievement of development goals. Local governments and communities are demanding to play an active role in collaborating to explore and maximize every potential that the region possesses. Regional economic development is a process whereby local governments and communities manage existing resources and form a partnership pattern between local governments and the private sector to create new jobs and stimulate economic growth in the region. (Arsyad, 1999: 298)

The way to achieve synergy between local government and the public is more open with the issuance of Constitution no. 22 of 1999 on Regional Government which was later revised into Constitution no. 32 of 2004 and then revised back into Constitution no. 23 of 2004 on Regional Government and Constitution no. 25 of 1999 on the financial balance between central and local government which was then revised into Constitution no. 33 of 2004. Both constitutions have a very important meaning for the region due to the giving of authority and financing (Decentralization Fiscal).

The decentralization and regional autonomy policies provide opportunities for governments and local communities to develop independently. Economic potential and financial need to be extracted and processed, resulting in real output that has added value, sold and exported, which will ultimately lead to economic growth and improving the welfare of people in the area.

The aggregate economic growth can be calculated through the weighted average Gross Domestic Product (GRDP) of the sectoral growth rate. A sector that has a very slow contribution and growth will inhibit aggregate economic growth. Conversely, if the sector that has a large contribution to the totality of development and followed by rapid growth will accelerate economic growth. The amount of GRDP indicating the ability of resources produced by a region can be known by using contribution analysis. Economic progress of a region with other territory may be different, because of differences in resources owned by the region, and the tendency of investment by investors in areas that already have complete facilities and infrastructure facilities and skilled human resources, and concentrated on government or city.

Central Java Province is one of the provinces that have characteristics by relying on the manufacturing sector. This can be seen based on the contribution of processing industry in Central Java Provincial GRDP of 34.8 percent in 2016.



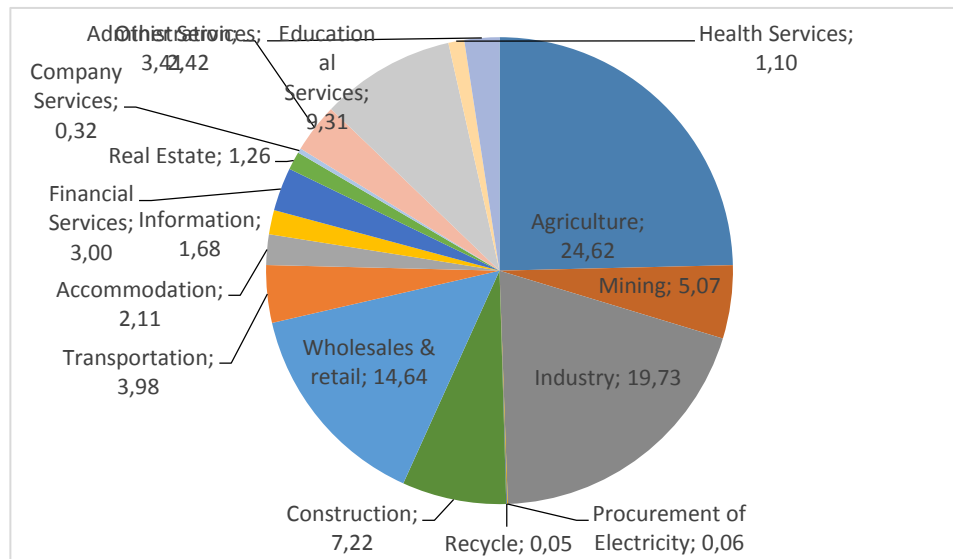
Source: BPS Central Java, 2016

**Figure 1.1**  
Economic Growth Central Java  
Year 2013-2016 (percentage)

Based on Figure 1.1 it shows that during the first three years the rate of economic growth in Central Java experienced a significant increase but experienced a decline in the end. In 2013, the economic growth rate of Central Java is 5.11 percent, then increase in 2014 to 5.25 percent and in 2015 by 5.47 percent. But in 2016, it decreased to 5.28 percent.

Kebumen Regency is one of Regency located in Central Java Province. Geographically the Kebumen Regency is located at 7°27'-7°50' south latitude and 109°22'-109°50' east longitude and has an area of 158,111.50 ha or 1,581.11 km<sup>2</sup> and the population is recorded in 2011 of 1,163,591 people, some areas are coastal and mountainous areas, but most are lowlands. Kebumen Regency is one of the

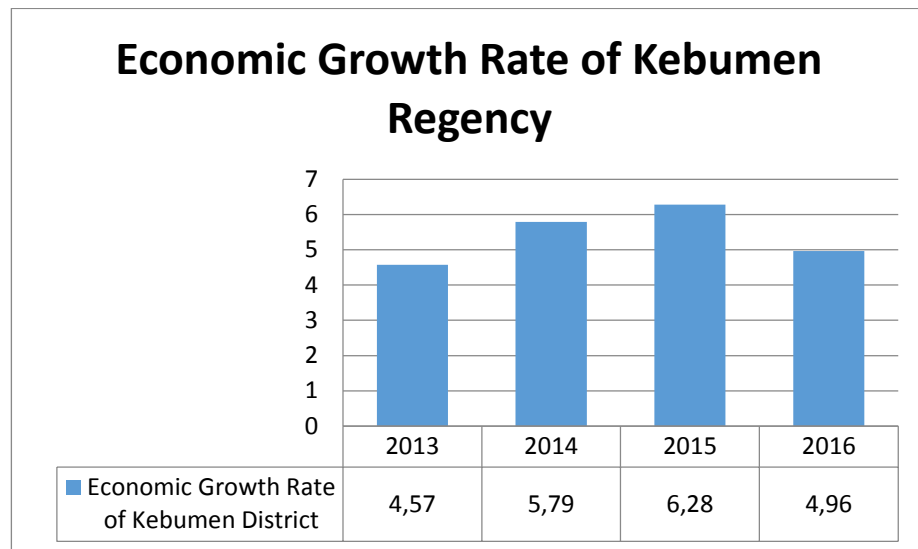
autonomous regions that has the authority to organize the government and development, and provide services to the community, has the authority to manage, plan and utilize the economic potential of the region optimally so that the results can be enjoyed by all Kebumen Regency.



Source: BPS Kebumen Regency, 2016

**Figure 1.2**  
Contribution of Business Field to GRDP  
Kebumen Regency Year 2016

The economic structure of the Kebumen Regency community in 2016 is dominated by Agriculture, Forestry and Fisheries with a contribution in 2016 of 24.62 percent. Then the category of Processing Industry of 19.73 percent, Category of Large and Retail trading; Car and Motorcycle Repairs by 14.64 percent, Education services category of 9.31 percent, construction category by 7.22 percent, mining category and Excavation 5.07 percent. While the role of other categories under 5 percent. (BPS Kebumen Regency, 2016)



Source: BPS Kebumen Regency, 2016

**Figure 1.3**  
Economic Growth Rate of Kebumen Regency  
Year 2013-2016 (percent)

Based on the Figure data 1.3, in general the economic condition of Kebumen Regency in the year 2013-2015 is quite good. Economic growth in the three years has accelerated from 4.57 percent in 2013, rising to 5.79 percent in 2014, then rising again to 6.28 percent by 2015. But in 2016 decreased by 4.96 percent.

Kebumen Regency has enormous potential, so that in the management and utilization of resources must be optimal and good, so that will be followed by an increase economic growth as well. In this case, the need for a research to know the potential and identification of other economic sectors that have the potential to develop more to improve the regional economy Kebumen Regency, can also be made as a guide in formulating the planning and contribute in the implementation of development to increase economic growth in the era of autonomy area. So that economic development can be run in accordance with the main objective of

improving the welfare of the community. Based on the background above, the authors wanted to study with the title "The Analysis of Base Sector and Development Strategy of Regional Economic Potential in Kebumen Regency 2012-2016".

#### **B. Research Limitation**

Given the wide scope of economic development of the region, this study only examines the economic sectors in Kebumen Regency using the Gross Regional Domestic Product (GRDP) at constant prices in 2012 until 2016.

#### **C. Research Questions**

From the background of problems that have been described previously, the research questions in this study are:

1. What sectors have potential as a base sector, have competitive advantages and competitiveness in Kebumen Regency?
2. Which sectors can be used to spur development in Kebumen Regency?
3. How is the condition of Kebumen Regency Economy in 2012-2016 ?

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

Based on the background and the problem formulation above, the purpose of this study are as follows:

1. To know and analyze the sector that has the potential as a base sector, has a competitive advantage and has the competitiveness in Kebumen Regency.
2. To find out what sectors are very potential to spur development development in Kebumen Regency.

3. To find out economic condition of Kebumen Regency 2012-2016

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

1. For Local Government

Can be used as information and consideration for the government of Kebumen Regency in taking policy in planning the development of an area as well as the regional economy.

2. For the Community

Can be used as information about economic condition of Kebumen Regency and its development.

3. For Researcher

As a means of applying the accepted theories during college in the field.