

Research Article

Analysis of Economic Development on West Coast Regency, Indonesia, based on Location Quotient (LQ) and Shift Share (SS)

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Abstract: The research conducted in the West Coastal Regency, Lampung province, Indonesia, aimed to determine the base sector and analyze the district's economic performance for strategic development. The study used Location Quotient (LQ) and Shift Share (SS) analysis tools and identified agriculture, forestry, and fisheries as sectors with high LQ scores. The Shift Share (SS) analysis revealed positive performance in five industries, with education, health, and social activities being the basis for development. The development planning in the West Coastal Regency in Lampung province can focus on the Development of Maritime Agroecotourism considering the potential of existing natural resources. The results of the location quotient (LQ) and shift share (SS) analysis can guide regional development planning and improve people's living standards through community participation and government and private sector support.

Keywords: *Base Sector, Economic Sector, Strategic Development, Shift Share Analysis, and Location Quotient Analysis*

1. Introduction

According to Müller & Graves (2017), the concept of 'development' is subject to theoretical and political debates and is inherently intricate and ambiguous. Development is crucial for the prosperity and sustainability of any nation. Development and growth are interconnected for a nation. Development can lead to growth, and growth can result from it, encompassing community activities, expansion, or improvement. Development itself refers to continuous growth, progress, and improvement within a physical environment (Adagbabiri & Okolie, 2019). The nature of development in a national context touches on all aspects, from political to economic and social aspects. In this article, we will discuss development in an economic context.

In general, the main goal of economic development is alleviating poverty in developing economies, particularly in low-income countries where poverty is most severe (Hayami & Godo, 2005). But in Indonesia's economic development aims to achieve national goals of advancement, independence, prosperity, justice, and faith, as per the 1945 Constitution, focusing on intelligence improvement, wealth, and global peace (Artisa, 2017; Hakim, 2018; Hastangka & Budiman, 2020; Mahadiansar et al., 2020) based on Pancasila (National Ideology) and UUD 1945 (Constitution) as nation development paradigm that aims to provide ethical principles for economic development, education, and science and technology (Agus, 2022; Fajri et al., 2022).

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However, the territory of Indonesia, which is a vast archipelagic country, certainly requires equitable development. The implementation of economic development at the regional level, popularly called decentralization of development, which is supported by the implementation of regional autonomy, has been implemented since the reform era to overcome inequality (Hisyam, 2015; Santi & Iskandar, 2021). Implementing decentralization and regional autonomy is the key to successful national development, encouraging progress, and strengthening national unity and resilience (Farid, 2019) because, according to Fauzi (2019), the goal of giving regions more authority in local government is to speed up the achievement of community welfare by improving services, empowering individuals, and promoting community participation.

Meanwhile, Policy planning and development in regions often face issues when regulations and policies are not based on local potential and natural resources. These disparities can lead to uneven development, hampering growth and community welfare. According to Ayu Monica et al. (2019), Regional development priorities need to be aligned with the potential of each region to ensure the utilization of resources is optimal, leading to slow economic growth in that region. Less developed regions often have vulnerabilities due to low information on adaptive regional planning, highlighting the need for more comprehensive and adaptive strategies (Rochester et al., 2016). So, regional development and economic activities must be in accordance with the potential and characteristics of local resources in each region, which are different in each region.

Beyond political will, conducting qualitative or quantitative analysis efforts to assess regional potential is crucial. For example, location quotient (LQ) analysis determines leading and non-leading sectors, and shift-share (SS) analysis determines changes and shifts in economic sectors in a region (Suryani, 2019). These two methods are classified as quantitative, which we use in this research, and are part of economic base analysis, which is crucial for understanding local economies and providing comparative information on employment conditions and trends. This analysis divides the local economy into basic and non-basic sectors, with basic businesses primarily selling goods and services to consumers outside the community and non-basic businesses relying heavily on export markets (Davis, 2023; Suning et al., 2022; Tangu Redu et al., 2023).

Economic analysis techniques such as location quotient (LQ) and shift-share (SS) analysis are common in assessing regional potential in Indonesia. According to Niyimbanira (2018), The praxis of this analysis will determine three things: (1). Competitive advantage (which allows a province to outperform others), (2). Comparative advantage (the ability to produce goods/services at a lower opportunity cost than competitors), (3). and Areas of regional specialization (strengths about the national norms). Based on our literature review, several previous research findings used location quotient (LQ) and shift-share (SS) analysis to determine the three things we mentioned and encourage government intervention toward the potential economy, such as research from (1). Tangu Redu et al. (2023) in Jayawijaya Regency, Papua, concluded that the economic sector is experiencing a shift towards clean water supply, wastewater drainage, waste management, and remediation activities, while the mining and quarrying sector remains low competitive (2). Hidayat & Darwin (2017) in Meranti Island that concluded the 6 potential sectors include transportation, warehousing, agriculture, forestry, fisheries; and processing industry (3). Ayu Monica et al. (2019) in southern Sumatra, including the agricultural sector was the primary sector in southern Sumatra, with other sectors varying by province, except for company services and education in Bengkulu (4). Suning et al. (2022), in coastal areas, were concerned with implementing economic base analysis for the Smart Economy Policy Strategy and so on, which we cannot mention.

All research findings that we mentioned in the previous paragraph are basically useful for determining the influence of leading sectors on the regional economy and its impact on the national economy (Wakris et al., 2023), implementing poverty alleviation programs such as research from Rahmawati et al., (2019) in Gorontalo based on agropolitan system; and to determine the potential for economic growth in the parent region and expansion regions after the implementation of Territorial Splits (*Pemekaran Daerah*) policy (Iskandar & Nurrahmi, 2018) that involves determining potential areas, developing regional potential, and determining definitive areas within a maximum timeframe of five years (Firman, 2013).

The west coast district of Lampung province, Indonesia, is the geographical region that is the central focus of this research. The area faces the Indian Ocean in the east, in the north with Bengkulu Province and South Sumatra Province, in the west with Tanggamus and West Lampung districts, and in the South with South Lampung Regency and the Sunda Strait is famous as an international surfing destination because its waves are enormous (Auny et al., 2022; Aziz et al., 2012). So, it is suitable for surfing destinations, even though this area has hosted international surfing events such as the Krui Pro International Surf League (WSL) Championship, which has been included in the official World Surf League (WSL) Qualifying Series event. According to the Regent of West Coast Regency, at 15 meters above sea level, it is divided into 25% wavy plains, 10% wavy to 10% hills, and 65% hilly to 65% mountains. Most of the land is used for plantations and agriculture, with lowland areas for agriculture and highland areas for resin tree plantations.



Figure 1. Thematic maps West Coast Regency from Local Government

This region is part of the newly established autonomous region, formally established on November 16, 2012, under Law No. 22 of 2012. Regarding government hierarchy, this new region is at level two, called a *Kabupaten* or Regency, with a regent as leader, equivalent to a city. The newly created autonomous region is a division of the West Lampung Regency, consisting of 11 (eleven) sub-districts: Pesisir Tengah District, Pesisir Selatan District, Lemong District, Pesisir Utara District, Karya Penggawa District, Pulau Pisang District, Way Krui District, South Krui District, Ngambur District, Bengkunt District, and Bengkunt Belimbing District. All of which are directly adjacent to the Indian Ocean. The total area of Pesisir Barat Regency is $\pm 2,907.23$ km² (Dauri et al., 2020; Diatin et al., 2022; Istiawati et al., 2020; Kartika et al., 2019; Siregar et al., 2022; Utami, 2020; Yetri et al., 2019).

This Regency has a variety of potentials and natural, social, and cultural resources. The coastline of Pesisir Barat stretches for 210 Km; hence, this area has a variety of beautiful waves so that it often becomes a tourist destination for both local and international tourists with various rides such as surfing, marine tourism, as well as other destinations such as social and cultural tourism, ecotourism and various events (Rosmayati & Maulana, 2021). Pesisir Barat, with an area of 2,889.88 km², is divided into 11 sub-districts with details of 116 Villages

and 2 Sub-districts whose capital is Krui District (BPS Pesisir Barat, 2018). Because Pesisir Barat Regency is a relatively new district, good development planning, and policies are needed in accordance with the potential and existing natural resources. According to the GRDP data of Pesisir Barat Regency, the main income sectors for this district are agriculture, forestry, and fisheries, which contribute 48.86% of the total income (BPS Pesisir Barat, 2022).

This allows a new regional development model based on the potential of natural resources and basic sector activities in the Pesisir Barat Regency. Therefore, it is necessary to analyze the determination and strategy for the development of the Pesisir Barat Regency Base Sector to find out the potential sectors and the performance of each sector so that the best model for regional development is obtained. As mentioned before, The analytical method in this study uses Location Quotient (LQ) and Shift Share (SS) analysis to obtain the base sector and the performance of each sector. The formulation of the problem in the research are (1) How are the sectors classified as the base sector in Pesisir Barat Regency, (2) How is the performance of the economic sectors in Pesisir Barat Regency, and (3) How is the Development Planning Model based on local potential applicable for the Pesisir Barat Regency.

Several studies have been carried out on the topic of the same field, as research by Yuuhaa & Cahyono (2013) titled Analysis of Determination of Base Sector and Potential Sector in Lamongan Regency. The study aims to determine the base sector and its performance and which sectors can be developed in Lamongan Regency. Another research conducted by Hikmahwidi (2018) with the title Determination of Leading Commodities of Food Crops and Ruminant Livestock in Tasikmalaya Regency which analyzes leading commodities in food crops and livestock commodities in Tasikmalaya Regency. Then, for research in the development of ecotourism modes in Pesisir Barat Regency, Riyani & Tamjuddin (2017) wrote a journal entitled *Challenges of Marine Ecotourism Development on Banana Island, Pesisir Barat*, which discussed the plans and constraints for developing ecotourism on Banana Island. This study has the objectives to determine (1) the sectors that are considered as the base sector in the Pesisir Barat Regency, (2) the performance of the economic sectors in the Pesisir Barat Regency, and (3) the Development Planning Model that can be applied based on local potential in the Pesisir Barat Regency.

2. Materials and Methods

This study uses LQ and SS analysis as calculation tools to get the base sector in an area. The data needed is the 2017-2021 GRDP data for Pesisir Barat Regency, which was obtained from the BPS for Pesisir Barat Regency. The formula used in the LQ method is as follows:

$$LQ = (V_i/V_T) : (Y_i/Y_T)$$

Where:

V_i = Value in sector I in the area of observation

V_t = Total value in the area of observation

Y_i = Value in sector I in the reference area

Y_t = Total value in the reference area

With the explanation that the LQ is more than one, it can be said that the basic sector can meet the needs of its own and other regions. The LQ is equal to one, and this sector is only able to meet the needs of its own region. LQ that is less than one is called non-base; the area cannot meet the needs of the sector for itself (Puspitaningrum et al., 2021).

Meanwhile, Shift Share (SS) analysis is used to ascertain the performance of each sector in a region by comparing the GRDP value of a particular year with the reference years (in this case, 2021 and 2020 as a comparison). The approach used in this calculation is to assume that changes in income, production, or human resources of a region are divided into 3 aspects such as proportional growth aspects, regional growth aspects, and local share growth components (Yuuhaa & Cahyono, 2013). The SS method is calculated by entering the growth rate of one area represented by the symbol D_{ij} . Then compared to the area above (Kasikoen, 2018). The formula used in the SS method is as follows:

$$DIJ = NIJ + MIJ + CIJ$$

Where:

D_{ij} = Change in value of sector/subsector i of the observation target

N_{ij} = Changes in the value of sector/subsector i in the target region due to the impact of economic growth in the reference region

M_{ij} = Change in the value of sector/subsector i in the target region. It is affected by the growth of sector i in the reference area.

C_{ij} = Change in the value of sector/subsector i within the observation region caused by the competitive advantage of sector i within the observation region

3. Results

3.1. Literature review

Basic economic theory is based on the view that economic growth is determined by export activity from its region. Economic activities are divided into basic and non-basic sectors. The basic sector is an activity that is usually exogenous. In other words, it is not related to internal economic activities and has a function to encourage other activities. Then, the non-base sector is an endogenous activity or activity that only meets the needs of the region, and its activities depend on the general condition of the regional economy (Yuuhaa & Cahyono, 2013). The leading base sector generates added value and makes economic activities more productive. It has a multiplier effect that can boost the economy in other sectors and is expected to have high activity in local and international markets (Anggarawati et al., 2022). By acquiring the base sectors of the region, it is hoped that regional planning and development will consider the potential sector and keep it free from ineffective regulations and policies.

To encourage national economic growth, it is necessary to be supported by the elements owned by making a strategy that takes into account economic, political, and security factors, each of which contributes to determining strategies to achieve the interests of national economic progress (Juanita & Setiani, 2022). Strategic development in each region can be accomplished in tandem with the advancement of the national economy. This can be achieved by taking into account the currently available potential, such as the potential of people, natural resources, capital from investors, infrastructure development, communication, facilities and infrastructure, industrial instruments, science and technology, the level of economic activity, interregional transactions, regional development capabilities, business, environment, and regional institutions. Richardson's hypothesis is one of the theories of regional development that is impacted by this. The theory suggests that non-base activities are those that producers engage in with activities performed in a specific area on a service basis to reduce misperception. Base activities encourage other kinds of employment and are unrelated to the economic status of a given area (Ahdan et al., 2015).

To advance the regional economy and to raise the economic level of the community, good regional development planning needs to be carried out. Regional Development Planning must be based on the potential and resources of the area so that planning can be right on target. On the other side, Indonesia's government has published a roadmap for its regional economy, focusing on sustainable development goals (SDGs) towards 2030. The roadmap addresses critical issues like health, education, social protection, food security, infrastructure, ecosystem services, and government administration financing. Indonesia's potential young generations can promote SDGs, suppress inequality, and dominate the global labor market (Permatasari et al., 2021; Sasmito et al., 2023; Wahyuni et al., 2022; Wibisono et al., 2023). In addition, community participation and partnerships with related institutions are needed to create a multiplier effect on economic activity in the region. With development planning carried out for the regional economy, economic activity can be thoroughly studied, with its components having various interrelated instruments. Targeted development planning must explain what should be planned and what will be done for the development of the area by utilizing resources for development so that the target can be fully achieved (Yuuhaa & Cahyono, 2013).

3.2. Determination of the Base Sector using the LQ Method

Based on LQ analysis, If the LQ value is more than one, the sector can be categorized as a basic sector or a sector that plays an important role in economic activities in Pesisir Barat

Regency. The LQ calculation is calculated using GRDP data for Pesisir Barat Regency from 2019 to 2023. The data is obtained from BPS Pesisir Barat. The results of the 2019 to 2023 LQ analysis for the Pesisir Barat Regency Base Sector are described in Table 1 below.

Table 1. LQ Calculation Results for the Pesisir Barat Regency Sector in 2019-2023

No	Economic Sector	2019	2020	2021	2022	2023
1	Agriculture, Forestry & Fishing	1.72	1.75	1.75	1.73	1.72
2	Mining & Quarrying	0.88	0.93	0.96	0.96	0.99
3	Manufacturing	0.29	0.27	0.24	0.22	0.22
4	Electricity & Gas	0.08	0.09	0.10	0.11	0.12
5	Water supply, Sewerage, Waste Management & Remediation Activities	0.47	0.48	0.47	0.46	0.46
6	Construction	0.58	0.61	0.74	0.74	0.76
7	Wholesale & Retail Trade; Repair of Motor Vehicles & Motorcycles	1.00	1.01	1.03	1.05	1.04
8	Transportation & Storage	0.20	0.20	0.20	0.20	0.20
9	Accommodation & food Service Activities	1.10	1.09	1.10	1.10	0.01
10	Information & Communication	0.49	0.49	0.48	0.48	0.49
11	Financial & Insurance Activities	0.69	0.69	0.69	0.66	0.68
12	Real Estate Activities	1.26	1.22	1.29	1.26	1.29
13	Bussiness Activities	0.95	0.97	1.01	1.00	1.01
14	Public Administration & Defence; Compulsory Social Security	1.47	1.51	1.57	1.51	1.51
15	Education	1.24	1.23	1.23	1.23	1.27
16	Human Health and Social Work Activities	1.11	1.13	1.15	1.13	1.14
17	Other Service Activities	1.15	1.15	1.15	1.15	1.17

From the table above, it can be seen that the base sector of West Coast Regency is obtained from the calculation results, and eight sectors have become the base sector. From the eight sectors, the results of the analysis with LQ values are the top three in a row, namely the Agriculture, Forestry & Fishing Sector; Public Administration & Defense Sector, Compulsory Social Security, and Real Estate Sector. According to data obtained by the BPS for West Coast Regency 2021, the Agriculture, Forestry & Fishing category contributes to GRDP based on current prices of 48.86%. This means that almost half of the West Coast GRDP income comes from this sector. Therefore, because the first is the highest sector, policy directions and development planning can be considered to pay attention to the sector. Of course, apart from the first sector, other potentials, such as natural resources, also need to be considered.

The Agriculture, Forestry, and Fisheries sector in West Coast Regency is reliable due to its abundant natural resources. Fishing activities are well-developed in the district due to its long beach. Regarding agriculture, rice, and clove plants are the primary commodities, with economic activities extending beyond the district. The Regency also has a large forest area, including a conservation area, further enhancing its potential in the forestry sub-sector. To capitalize on these resources, strategic planning can focus on developing the district's marine agro-ecotourism or megapolitan regions.

3.3. Sector Performance Determination of the Economy Using SS Method

The study illustrates the performance of each sector within the region by using shift-share analysis to calculate economic growth using yearly data comparisons for 2021 as the targets and 2020 as the comparisons. The calculation uses sector performance data for Pesisir Barat Regency in 2020 and 2021. The results of this calculation will later show whether the growth in each sector has a positive or negative value so that it can be considered for development plans and regional policies. The results of the SS calculations are described in Table 2 below.

Table 2. Results of Shift Share Analysis in Pesisir Barat Regency

No	Economic Sector	%PB
1	Agriculture, Forestry & Fishing	-0.32
2	Mining & Quarrying	3.00
3	Manufacturing	-17.10
4	Electricity & Gas	11.88
5	Water supply, Sewerage, Waste Management & Remediation Activities	-1.92
6	Construction	-8.98
7	Wholesale & Retail Trade; Repair of Motor Vehicles & Motorcycles	-12.22
8	Transportation & Storage	-7.01
9	Accommodation & food Service Activities	-3.05
10	Information & Communication	2.51
11	Financial & Insurance Activities	-1.71
12	Real Estate Activities	-5.11
13	Business Activities	-2.87
14	Public Administration & Defence; Compulsory Social Security	-2.87
15	Education	2.87
16	Human Health and Social Work Activities	5.65
17	Other Service Activities	-2.34

The results of the SS analysis found that there were five sectors that showed positive performance from 2020 to 2021. The sectors that experienced the best growth were Health Services and Social Activities; and the Electricity and Gas Procurement Sector. However, the sectors that are the basis sectors in the LQ analysis got negative results; only the education sector and the health and social sector achieved positive results. Conditions like this, where many basic sectors have experienced a decline, may occur due to the COVID-19 pandemic, which has a very severe impact on the global economy. The same thing happened in other areas, including the Gross regional domestic product of Lampung Province itself. The Agriculture, Forestry and Fisheries sector, which became the main base sector with the largest value, decreased from 2020 to 2021 by -0.32. Although the decline in this sector is not large, a strategy is still needed to increase economic activity in this sector. Therefore, it is necessary to make a development direction plan for the potential economic sector in the Pesisir Barat Regency by considering other potentials, such as Educational Services, Health, and Social Activities, which are experiencing positive growth in the Pesisir Barat Regency.

4. Discussion

In this case, the strategy for developing the most potential base sector is the agriculture, forestry, and fishery sectors in Pesisir Barat Regency, which is needed to increase targeted economic activities in Pesisir Barat Regency. Table 3 is a collection of basic sectors from the results of



the LQ analysis compared to the results of the SS analysis to see *the situation and potential for development in this area.*

Table 3. Comparison of LQ and SS Analysis Results

NO	ECONOMIC SECTOR	LQ					SS
		2019	2020	2021	2022	2023	
1	Agriculture, Forestry & Fishing	1.72	1.75	1.75	1.73	1.72	-0.32
2	Wholesale & Retail Trade; Repair of Motor Vehicles & Motorcycles	1.00	1.01	1.03	1.05	1.04	-12.22
3	Real Estate Activities	1.26	1.22	1.29	1.26	1.29	-5.11
4	Bussiness Activities	0.95	0.97	1.01	1.00	1.01	
5	Public Administration & Defence; Compulsory Social Security	1.47	1.51	1.57	1.51	1.51	-2.87
6	Education	1.24	1.23	1.23	1.23	1.27	2.87
7	Human Health and Social Work Activities	1.11	1.13	1.15	1.13	1.14	5.65
8	Other Service Activities	1.15	1.15	1.15	1.15	1.17	-2.34

The study suggests that development plans for *the* Agriculture, Forestry, and Fisheries sectors can be tailored to natural resources and positive performance sectors like Health Services, Social Activities, and Education Services. The Marine Agro-Ecotourism Area model, which combines these sectors with educational and socially-oriented activities, can be implemented in this area. The concept of Marine Agro Ecotourism is the development of the concept of agro-tourism. Palit (in Pambudi et al., 2018) explained that the concept of Agrotourism is a series of tourism activities that utilize the potential of agriculture as a tourist attraction, for example, agricultural land with natural panoramas, agricultural activities, and cultural farmers. The purpose of agro-tourism is to improve living standards, create jobs, and promote rural development (Ifandi & Rahma, 2020).

In this case, agro-tourism, which is already a potential sector in this area, is developed by combining the potential and other base sectors, namely the ecological aspect obtained from the development of the social activity sector and the huge maritime potential of Pesisir Barat Regency. This is because tourist attractions not only help the environment *but* also help provide education (Indrawati, 2020). The development of rural agro-tourism based on local communities is expected to produce many benefits, not only for rural communities but also for the wider community to be truly understood, given appreciation for agrarian potential, and become a medium of education. It's crucial for the community to be a part of tourism development whilst simultaneously protecting the coastal ecosystem. *The local government can execute related programs that benefit the community by involving the community in marine tourism.* This involvement can *positively impact* the community by providing additional income to meet their needs. This is especially important since the people of Tanjung Setia are primarily farmers, fishermen, and gardeners. In line with Act No. 10 of 2009, this approach aligns with the concept of national tourism development to boost national income, promote people's welfare, and enhance prosperity. It is evident that community involvement in marine tourism development is essential for the well-being of Tanjung Setia's inhabitants and the ecosystem.

In addition, according to (Pangestuti et al., 2018), Ecotourism development is carried out as an ideal tourism activity to promote environmental conservation, local economic development, and promotion of local culture. The tourism model is also felt to develop the local economy to a more advanced level. In Indonesia, the tourism sector is one of the main drivers of national economic development as well as an economic opportunity for local communities to improve their quality of life (Indrawati, 2020). In the planning of Marine Agro



Ecotourism, it must be planned properly so that its implementation can be right on target. The development of marine areas must be linked to basic interests, namely the empowerment of coastal communities supported by all institutions, including the government and the private sector. (Riyani, 2016). The development plan for a participatory tourism area in Pesisir Barat Regency should involve all parties, including the community. This approach will increase economic activity and improve the standard of living. Marine agro-ecotourism can manage potentials like marine beauty, clove and agricultural agro-tourism, marine fish fishing, forest and coastal conservation ecotourism, and community cultural and customary tourism. Key considerations include supporting factors, genuine community involvement, and infrastructure (Muhammad & Darmawan, 2019). Planning this Marine Agro Ecotourism model can be done with further studies and research. In essence, with the development of marine agro-ecotourism areas in Pesisir Barat Regency, it is possible to realize regional development and development planning that is right on target because it is in accordance with regional potential sectors.

5. Conclusions

A study was conducted on the prospective industries and development plans in the West Pesisir Regency. The study identifies eight sectors as the base sectors for the West Coast Regency. These include government administration, housing and settlement, defense and mandatory social security, forestry and fisheries, and agriculture, which had the highest LQ values. The study also highlights the performance of five economic sectors in 2020 and 2021, including gas and electricity procurement, social services and healthcare, and education. Development planning in the West Coast Regency could involve creating a Marine Agro Ecotourism Area and establishing sub-sectors within sectors based on natural resources and booming sectors. It emphasizes the importance of considering the potential of natural resources and the findings of the LQ and Shift Share analyses in regional development planning. Further, it highlights the need for community involvement and support from the public and private sectors in carrying out development plans.

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