

# Analysis of the Basic Sector as the Main Sector in Supporting the Community Economy in Jambi Province

Febiola Sandra <sup>1</sup> , Alivia <sup>2</sup> , Nil Firdaus <sup>3</sup> 

<sup>1</sup>UIN Mahmud Yunus Batusangkar, Indonesia

<sup>2</sup>Institut Teknologi dan Bisnis Muhammadiyah Sarolangun, Indonesia, Indonesia

<sup>3</sup>UIN Mahmud Yunus Batusangkar, Indonesia

## ABSTRACT

**Background.** Sustainable economic development requires identifying economic sectors that are superior and have the potential to be developed. The agricultural sector, especially palm oil, rubber and coconut, is a leading sector in Jambi Province which makes a large contribution to GRDP and employment. By paying attention to the existing potential and challenges, to analyze the basic sectors in Jambi Province to understand the sectors that has a major contribution to regional economic growth and development potential in the future. It is hoped that this analysis can provide strategic recommendations for regional governments in planning and developing a more competitive and sustainable regional economy

**Purpose.** Analyze and identify leading economic sectors that have the greatest potential in driving economic growth in Jambi Province

**Method.** This research is a secondary data analysis method. The secondary data analysis method is a method of analyzing a problem or phenomenon using data that has been collected, processed, presented and reported by other parties. Secondary data collection methods are often referred to as the use of documentary materials. In this case the researcher does not directly conduct his own research but examines and utilizes data that has been produced by other parties.

**Results.** From the results of the analysis, it is included in the basic sector. There are 4 economic sectors whose sectors have SLQ values > (greater) than 1, namely (A) the agricultural sector, (B) the mining and quarrying sector (E) the water supply, waste processing sector, and (P) the educational services sector. There are thirteen non-based sectors, namely these sectors have an LQ value < 1, namely (C) the processing industry sector, (D) the electricity and gas procurement sector, (F) the construction sector, (G) the wholesale and retail trade sector. car and motorbike repair, (H) transportation and warehousing sector, (I) accommodation and food and drink provision sector, (J) information and communication sector, (K) financial services and insurance sector, (L) real estate sector, (M.N) corporate services sector, (O) government administration, defense and mandatory social security sectors, (Q) health services and social activities sector, (R.S.T.U) other services sectors.

**Conclusion.** The sectors that were the base sectors in 2000-2009 were the agricultural sector, the mining sector, the electricity, gas and clean water, transportation and communications sectors, as well as the services sector. Meanwhile, the sectors that are the base sectors for 2010-2021 are the agriculture, forestry and fisheries sectors, the mining and quarrying sector, the water supply and waste processing sector and the education services sector.

## KEYWORDS

Base Sector, Comunity Economy, Location Quotient, Potential

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## Correspondence:

Febiola Sandra,  
[febiolasandra001@gmail.com](mailto:febiolasandra001@gmail.com)

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## INTRODUCTION

Regional economic development is a process that involves local government and all components of society in managing resources to improve the standard of living of local communities (Fazhur, 2022), (Septiana & Salahudin, 2021). The main goal of regional economic development is to create prosperity for the entire community through increasing economic growth and equal distribution of income (Brett, 2013). In this context, Jambi Province, one of 34 provinces in Indonesia, is also experiencing significant economic development, despite facing various challenges such as fluctuating economic growth and income inequality (Dr. Ridwan, SE, 2016), (Elina, 2023).

Traditionally, economic development is measured by the increase in Gross Regional Domestic Product (GRDP) which reflects the rate of economic growth of various sectors (Fahrika & Zulkifli, 2020). Based on data, Jambi Province's GRDP experienced a significant increase from 90,618.41 in 2010 to 153,881.69 in 2021, showing significant economic growth despite experiencing a decline in several periods due to global economic conditions and the COVID-19 pandemic (Dr, Suparmono, 2006) (Elmizan & Asy'ars, 2017).

Sustainable economic development requires identifying economic sectors that are superior and have the potential to be developed. The agricultural sector, especially palm oil, rubber and coconut, is a leading sector in Jambi Province which makes a large contribution to GRDP and employment (Mulyani, 2017). Apart from that, this sector also has great potential for further development in order to increase competitiveness and community welfare (Riwaldi, Kartika, Wijayanti, & Kusnaman, 2023), (Nugraha Rusli, Roza, & Mulya Rusli, 2021), (Hutapea, Koleangan, & Rorong, 2020).

Disparities between regions and income inequality are still challenges in economic development in Jambi. This inequality can be measured by the Gini Ratio and Williamson Index, which show that equitable economic development in Jambi Province still needs to be improved (Nababan & Shahrullah, 2022). Efforts to optimize regional economic development must be based on the comparative and competitive advantages of economic sectors, and involve good planning with active participation from regional governments and the community (Nababan & Shahrullah, 2022).

By paying attention to the existing potential and challenges, this research aims to analyze the basic sectors in Jambi Province to understand the sectors that have a major contribution to regional economic growth and the potential for development in the future. It is hoped that this analysis can provide strategic recommendations for regional governments in planning and developing a more competitive and sustainable regional economy

## RESEARCH METHODOLOGY

The research method used in this research is the secondary data analysis method. The secondary data analysis method is a method of analyzing a problem or phenomenon using data that has been collected, processed, presented and reported by other parties. Secondary data collection methods are often referred to as the use of documentary materials. In this case the researcher does not directly carry out his own research but examines and utilizes data that has been produced by other parties.

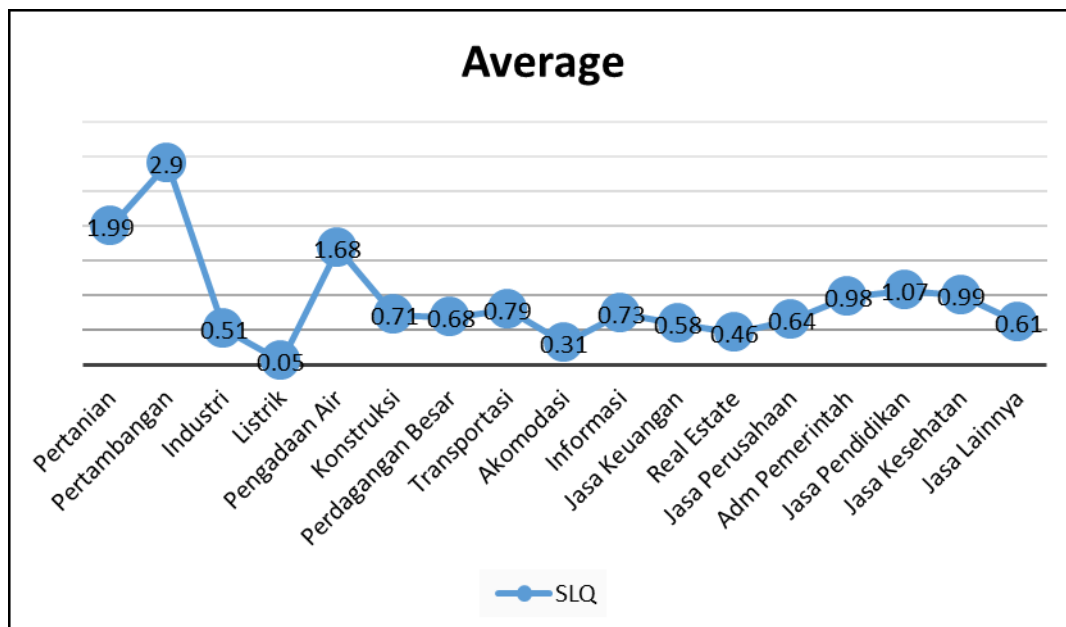
The data used in this research comes from the Jambi Province Central Statistics Agency (BPS), the Indonesian Central Statistics Agency (BPS), Indonesian statistics, literature study references through journals, articles, papers, previous research, and other materials obtained via the internet and other sources.

To answer the research objectives, the Statistical Location Quotient (SLQ) and Dynamic Location Quotient (DLQ) methods were used. Identification to determine the base sectors was carried out using the LQ formula, where this technique presents a relative comparison between the capabilities of a sector in the Regency/City and the sector the same in the wider area, namely Jambi Province

## RESULT AND DISCUSSION

Base Sector Using Slq Method Series 2010 for 2010-2021. This processing uses GRDP data based on 2010 constant prices according to business fields in Jambi Province and Indonesia. With the results of Jambi Province SLQ calculations using GDP data at constant prices for 2010, the following are obtained:

**Figure 1. Graph of Static Location Quotient Analysis Results for Economic Sectors 2010-2021**



Source: Author processed data 2023

The following are the findings of the Jambi Province SLQ study of economic sectors according to business fields taken from the graph above:

- The average value for the agriculture, forestry and fisheries industry is  $1.99 > 1$ . The SLQ score is always greater than 1 during the research period, namely from 2010 to 2021. The largest SLQ value is 2.57 in 2021, while the smallest was 1.82 in 2010 and 2011.
- The average value for the mining and quarrying industry is  $2.90 > 1$ . The SLQ score was always greater than 1 during the research period which lasted from 2010 to 2021. The highest SLQ figure was 3.80 in 2021 and the lowest was 2.49 in 2010.
- The processing industry sector has an average value of  $0.51 < 1$ . During the research year, namely 2010-2021, the SLQ value was always  $< 1$ . The largest SLQ value in 2021 was 0.60 and the smallest SLQ value in 2018 and 2019 was 0.48 .

- d. The electricity and gas procurement sector has an average value of  $0.05 < 1$ . During the 2010-2021 research year the SLQ value was always  $< 1$ . The largest SLQ value in 2021 was 0.07 and the smallest SLQ value from 2010 to 2014 was 0.04.
- e. The average value for the drinking water and waste management industry is  $1.68 > 1$ . The SLQ score was always greater than 1 during the research period, which lasted from 2010 to 2021. The largest SLQ value was 1.88 in 2021 and the smallest was 1.51 in 2020.
- f. The average score for the construction industry is  $0.71 < 1$ . The SLQ score was consistently 1 from 2010 to 2021, the year of the study. The highest SLQ figure was 1.88 in 2021 and the lowest was 1.51 in 2020.
- g. Wholesale and retail trade sector. The average cost of maintaining cars and motorbikes is 0.68 to 1. SLQ scores were consistently 1 from 2010 to 2021, the years of the study. The largest SLQ figure is 0.91 in 2021 and the smallest is 0.60 in 2011.
- h. The average value for the transportation and warehousing industry is  $0.79 < 1$ . The SLQ score was consistently 1 throughout the research period, which lasted from 2010 to 2021. The highest SLQ value was 0.95 in 2021 and the lowest was 0.74 in 2019.
- i. The sector that provides accommodation and food and drink has an average value of 0.31 to  $< 1$ . The SLQ score is always less than 1 during the research period, namely 2010–2021. The highest SLQ rating was 0.37 in 2020, while the lowest was 0.05 in 2021.
- j. The average score for the information and communications industry is  $0.73 < 1$ . The SLQ score was consistently 1 throughout the research period, which lasted from 2010 to 2021. The highest SLQ score was 0.85 in 2010 and the lowest was 0.66 in 2020.
- k. The average value for the financial services and insurance industry is  $0.58 < 1$ . The SLQ value is consistently 1 from 2010 to 2021, the research study period. The highest SLQ value was 0.69 in 2021, while the lowest was 0.52 in 2019.
- l. The average score for the real estate industry is  $0.46 < 1$ . The SLQ score was consistently 1 from 2010 to 2021, the year of the study. The largest SLQ value is 0.60 in 2021 and the smallest is 0.05 in 2020.
- m. The company services sector has an average value of  $0.64 < 1$ . During the research year, namely 2010-2021, the SLQ value was always  $< 1$ . The largest SLQ value was in 2010, namely 0.81 and the smallest SLQ value was in 2019 and 2020, namely 0.53 .
- n. The government administration, defense and social services sectors must have a value of  $0.98 < 1$ . Since the research period, 2010 to 2021, there are only a few people who have exceeded the minimum and maximum limits of 1. The largest SLQ value for 2021 is 1.22, while the smallest SLQ value for 2012 was 0.89.
- o. The higher education sector has a ratio of  $1.07 > 1$ . Since the research period, 2010 to 2021, only a few people have exceeded the minimum and maximum limits of 1. The largest SLQ value for 2021 is 1.29, while the smallest SLQ value is for 2012 is 0.99.
- p. The average value for the health services industry is  $0.99 < 1$ . There were consistently SLQ values above and below one during the research period, which lasted from 2010 to 2021. The highest SLQ value was 1.21 in 2021, while the lowest SLQ value was 0.93 in 2013.
- q. The average value for other service sectors is  $0.61 < 1$ . There were consistently SLQ values above and below one during the research period, which lasted from 2010 to 2021. The highest SLQ score was 0.72 in 2010 and the The lowest SLQ was 0.53 in 2019

From the results of the analysis above, this is included in the basic sector, There are 4 economic sectors whose sectors have SLQ values  $>$ (greater) than 1, namely (A) the agricultural sector, (B) the

mining and quarrying sector (E) the water supply, waste processing sector, and (P) the educational services sector. There are thirteen non-based sectors, namely these sectors have an LQ value  $< 1$ , namely (C) the processing industry sector, (D) the electricity and gas procurement sector, (F) the construction sector, (G) the wholesale and retail trade sector. car and motorbike repair, (H) transportation and warehousing sector, (I) accommodation and food and drink provision sector, (J) information and communication sector, (K) financial services and insurance sector, (L) real estate sector, (M.N ) corporate services sector, (O) government administration, defense and mandatory social security sectors, (Q) health services and social activities sector, (R.S.T.U) other services sectors.

Based on the results of the Location Quotient analysis, Jambi Province has a small base sector with 4 basic economic sectors. As a result, the base sector is able to meet local needs and export goods outside the region, thereby eliminating the need for imports from other regions. There are 17 non-based economic sectors in Jambi Province that need more attention if the region wants to increase its income and encourage sustainable development. Without this focus, this industry will not be able to export outside the region.

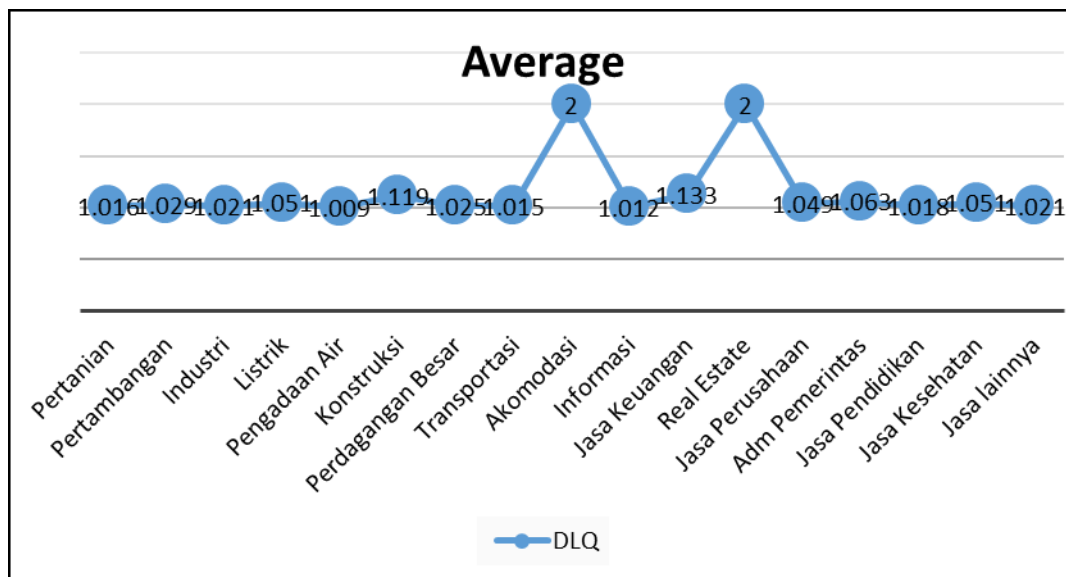
The base sectors in the 2010-2021 series are the agriculture, forestry and fisheries sectors, the mining and quarrying sector, the water supply and waste processing sector, and the education services sector. This sector is able to meet consumption in Jambi Province and can export outside Jambi Province.

The non-based sectors in Jambi Province are the processing industry sector, the electricity and gas procurement sector, the construction sector, the wholesale and retail trade sectors. car and motorbike repair, transportation and warehousing sector, accommodation and food and drink provision sector, information and communication sector, financial services and insurance sector, real estate sector, corporate services sector, government administration sector, defense and mandatory social security, health services sector and social activities, other service sectors. It can be said that this sector still needs help from outside Jambi Province.

### **Sector Potential Using the 2010 Series DLQ Method for 2010-2021**

The SLQ approach has limitations because the analysis is static, so it cannot capture any changes in the future. However, the interpretation of the DLQ and SLQ methods is basically the same. The current non-base sector can turn into a base sector in the future because the current base sector will not necessarily become the base sector in the future and vice versa. The percentage growth rate of the economic sector (GRDP) in Jambi Province compared to other national economic sectors is given greater weight using the DLQ technique. This research tries to determine whether the base sector will remain a base in the future or will be repositioned as a non-base. Graph 2 displays the findings of the Dynamic Location Quotient (DLQ) research on the economy of Jambi Province.

**Figure 2. Graph of Dynamic Location Quotient Analysis Results for Jambi Province 2000-2009**



Source: Author processed data 2023

The base sector in Jambi Province will continue to be a base sector that can excel and be highly competitive in the future, according to the results of the Dynamic Location Quotient (DLQ) study because it has a DLQ value > 1 greater than the country's base sector. However, other industries have developed, and as a result, may eventually replace basic industries in Jambi Province. Changes in the local economy over a certain period of time can be tested through Dynamic Location Quotient (DLQ) so that changes in sectors can be known. DLQ is a modified form of SLQ by accommodating the size of GRDP from the production value of the sector or subsectors from time to time. The rise and fall of LQ can be seen for specific sectors in different time dimensions. DLQ value > 1 then The potential for development of sector i in a region is faster in comparison with the same sector on a national scale. Conversely, if  $DLQ < 1$ , then the potential for development of sector i in the region is lower compared to the national level as a whole. Overall, the sector has a DLQ value of more than 1, which means that all GRDP sectors according to business fields have the potential to develop into basic sectors in Jambi Province. Intensive strategies and maintenance are needed so that all sectors can become stable sectors in Jambi Province.

**AUTHORS' CONTRIBUTION**

Author : Conceptualization; Project administration; Validation; Writing - review and editing.

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