




# Analysis of leading economic sectors on economic growth in Penajam Paser Utara regency

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Article Info	ABSTRACT
<p><b>Article history:</b></p> <p>Received Mar 03, 2025 Revised Mar 17, 2025 Accepted Mar 26, 2025</p> <hr/> <p><b>Keywords:</b></p> <p>Economic Sectors; Leading; Growth.</p>	<p>Economic growth is significantly important for every region, as it not only serves as an indicator of increased community income but also directly impacts the Local Revenue (PAD). The issues highlighted in this background emphasize the need for serious attention in managing both rapidly developing sectors and those experiencing saturation in Penajam Paser Utara Regency. The local government needs to identify the leading sectors in their area. The data used in this study includes annual Gross Regional Domestic Product (GRDP) and National Income (NI) for the year 2023. The data collection method employed in this research is secondary data. Based on the analysis results, it can be concluded that the Agriculture, Forestry, and Fisheries sectors are among the leading economic sectors in Penajam Paser Utara Regency. The local government of Penajam Paser Utara is also implementing policies to develop the Agriculture, Forestry, and Fisheries sectors, based on several strategies that include regional economic development policies, enhancing the role of the region as a motivator, facilitator, and mediator, as well as streamlining the licensing system in the industrial sector.</p> <p><i>This is an open access article under the CC BY-NC license.</i></p> 

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## 1. INTRODUCTION

Penajam Paser Utara Regency, located in East Kalimantan Province, has significant economic potential due to its rich natural resources (Djadjuli, 2018). The Gross Regional Domestic Product (GRDP) data for Penajam Paser Utara Regency in 2024 is not officially available yet. Based on previous trends, Penajam Paser Utara Regency has experienced significant economic growth. In 2023, the GRDP at current prices reached IDR 17.25 trillion, an increase of 29.85% compared to 2022. Additionally, the construction sector made a significant contribution to the GRDP of Penajam Paser Utara Regency in 2023 (Permatasari et al., 2024). Strategically situated, Penajam Paser Utara offers a variety of natural resources, both renewable and non-renewable, which serve as the foundation for the development of key economic sectors in the region. These sectors include agriculture, fisheries, and tourism, which are recognized as leading sectors expected to drive the local economy (Widjayatnika et al., 2018). Each of these sectors has substantial potential to contribute to sustainable economic growth, improve the quality of life for the community, and reduce poverty, which remains an important issue in the area (Hapsoro & Bangun, 2020).

Agriculture is one of the main sectors that plays a vital role in creating job opportunities and meeting the food needs of the community in Penajam Paser Utara Regency (Ernawati et al., 2022). This area boasts fertile land and sufficient water availability to support various types of food crops, horticulture, and other plantation commodities. The existence of this potential provides opportunities for local residents to increase their income and reduce dependence on other natural resources that may be threatened (Khoiriyah, 2024). However, despite the many potentials in the agriculture sector, it also faces various challenges, including limited access to more modern agricultural technology, a lack of efficient distribution systems, and a high dependence on natural factors such as rainfall and planting seasons (Desmawan et al., 2024).

In efforts to enhance economic growth, the development of leading sectors becomes a primary strategy that can be implemented. Leading economic sectors are often associated with the concept of basic sectors (Setyobudihono, 2024). A sector can be categorized as a leading sector if it exhibits higher growth rates and contributions compared to other sectors while being able to absorb a large workforce. Additionally, an economic sector is considered leading if it can meet local needs while also fulfilling demands from other regions or is export-oriented. Leading sectors also possess comparative and competitive advantages that play a role in driving regional economic growth (Randi et al 2023).

Penajam Paser Utara Regency has economic characteristics supported by the agriculture, forestry, and fisheries sectors as its leading sectors. According to data from the Central Bureau of Statistics (BPS), this sector contributes the most to the regional GDP, both in terms of economic output and labor absorption. The abundance of natural resources and supportive geographical conditions make this sector highly potential for further development. However, despite agriculture, forestry, and fisheries being the backbone of the local economy, various challenges are still faced, such as commodity price fluctuations, limited infrastructure, and technological constraints in processing production outputs. Therefore, a more in-depth analysis is needed to understand the extent to which these leading sectors can contribute to economic growth in Penajam Paser Utara Regency and what optimization strategies can be applied to promote sustainable economic development.

From Table 1, the values of Gross Regional Domestic Product (GRDP) and Gross National Product (GNP) along with the economic sectors in Penajam Paser Utara Regency can be observed. Based on this data, we aim to identify the leading sectors in Penajam Paser Utara that make a significant contribution to the local economy. This analysis is essential for understanding which sectors have growth advantages and can serve as focal points for future economic development, as well as for planning policies that can optimally support the growth of rapidly developing sectors and those experiencing saturation.

The table also reveals an imbalance in income distribution across sectors, with services, electricity and gas supply, and water supply, waste management, and recycling being the three sectors with the lowest GRDP contributions. This finding highlights an area that needs to be optimized, especially since Penajam Paser Utara is the location of the Nusantara Capital City along with Kutai Kartanegara Regency. This aligns with research conducted by Fabiany, (2021), which found that among several regencies in Jambi Province, there are areas with GRDP growth below the average. The differences in PDRB growth rates indicate disparities that can lead to imbalances between regencies/cities. Therefore, strategic efforts are required to promote economic growth in areas with low growth rates.

Based on the explanation in the background above, the issue that arises is the need for serious attention in managing both rapidly developing and saturated sectors in Penajam Paser Utara Regency, and the local government needs to be aware of the leading sectors in their region. Therefore, the author is interested in further analyzing "The Analysis of Leading Economic Sectors on Economic Growth in Penajam Paser Utara Regency."

Through this research, a more comprehensive understanding of the role of leading sectors in supporting regional economic growth is expected to be obtained. The results of this study are

anticipated to provide recommendations for the local government in formulating economic policies based on leading potentials and to contribute to academics and practitioners in understanding the dynamics of regional economic development.

## 2. RESEARCH METHOD

The object of this research is the economic growth of leading economic sectors. The location of this study is Penajam Paser Utara Regency. This research employs a quantitative approach using the Location Quotient (LQ) method. This method is used to analyze the comparison of the role of a sector or industry in the economy of a region with the role of the same sector or industry at the national level (Purba & Muliani, 2023).

Data collection utilizes secondary data sourced from the Central Bureau of Statistics of Penajam Paser Utara Regency. The analytical technique used in this study is to identify leading sectors in Penajam Paser Utara through LQ analysis. The input data used for the calculations includes the production values of each sector in Penajam Paser Utara Regency.

## 3. RESULTS AND DISCUSSIONS

The Location Quotient (LQ) is a comparison of the role of a sector/industry in a region to the size of that sector/industry's role at the national level (Tarigan, 2014). The economic sectors in Penajam Paser Utara Regency are divided into 17 different categories in 2023. The results of the analysis of leading sectors using the LQ approach in Penajam Paser Utara are presented in Table 2 below:

Table 2. Results of data processing using the location quotient (LQ) method

NO	Sector	PDRB DAERAH	PNB NASIONAL	LQ	Description
1	Pertanian, Kehutanan dan Perikanan	2.629.962,43	34.552.821,97	2,373	LEADING
2	Pertambangan dan Penggalian	2.934.924,17	248.204.037,5	0,369	
3	Industri Pengolahan	1.764.406,80	104.339.854,4	0,527	
4	Pengadaan Listrik dan Gas	10.413,78	391.372,09	0,830	
5	Pengadaan Air, Pengelolaan Sampah, Limbah dan Daur Ulang	12.143,77	299.358,75	1,265	LEADING
6	Konstruksi	6.953.061,65	46.190.192,33	4,693	LEADING
7	Perdagangan Besar dan Eceran, Reparasi, Mobil dan Sepeda Motor	1.250.427,85	32.195.960,85	1,211	LEADING
8	Transportasi dan Pergudangan	232.833,33	16.738.530,20	0,434	
9	Penyediaan Akomodasi dan Makan Minum	63.652,19	4.924.086,5	0,403	
10	Informasi dan Komunikasi	159.966,33	10.348.222,91	0,482	
11	Jasa Keuangan dan Asuransi	109.653,33	8.951.755,94	0,382	
12	Real ESTAT	134.686,28	4.590.817,08	0,915	
13	Perusahaan Jasa	2.085,29	1.024.139,28	0,063	
14	Administrasi Pemerintahan, Pertahanan dan Jaminan Sosial Wajib	426.198,54	9.427.892,16	1,409	LEADING
15	Jasa Pendidikan	439.134,53	8.051.038,58	1,700	LEADING
16	Jasa Kesehatan dan Kegiatan Sosial	4.924,82	4.321.486,23	0,036	
17	Jasa Lainnya	117.131,93	3.078.440,0	1,186	LEADING
	TOTAL	17.245.607,02	537.630.006,77		

Source: Data Processing Results (2024)

### Location Quotient (LQ) Analysis

Penajam Paser Utara Regency shows a Location Quotient (LQ) value of 2.372854104 in the Agriculture, Forestry, and Fisheries sector. An LQ value greater than 1 indicates that this sector plays a more prominent role compared to similar sectors at the national level. This finding aligns with the theory of comparative advantage, which states that regions with abundant natural resources can develop specific sectors more efficiently (Soleh & Maryoni, 2017).

### **Natural Resource Potential**

Penajam Paser Utara Regency possesses significant natural resource potential, particularly in agriculture. With a total agricultural land area of 194,638.4 hectares in 2018, the region has substantial opportunities to increase agricultural production. According to research by Amaliah et al., (2020), this potential has not been optimally utilized, leaving room for further development. Previous studies also indicate that effective natural resource management can enhance local community welfare and drive regional economic growth (Utami et al., 2023). To support the development of this sector, strategic policies, investment in technology, and synergy between the government and industry players are needed to overcome existing challenges (Asmiani et al., 2024).

### **Land Use and Agricultural Sector**

In terms of land use, the plantation sector dominates in Penajam Paser Utara, followed by food crop sectors. This reflects agricultural policies that focus on specific commodities. Research by Mursidah et al., (2017) shows that the development of plantation sectors, such as palm oil and rubber, can significantly contribute to the region's Gross Regional Domestic Product (GRDP). However, it is crucial to consider environmental sustainability in the development of this sector to prevent negative impacts such as deforestation. The constraints on the utilization of marginal land are, among others, prone to high erosion rates, low fertility levels, limited capital, limited facilities and infrastructure, and high rates of crop failure (Ervianti et al., 2024).

### **Economic Performance and GRDP**

Based on GRDP data from Penajam Paser Utara Regency from 2015 to 2019, there has been an economic performance increase of 2.40 percent. This increase indicates that the Agriculture, Forestry, and Fisheries sector contributes significantly to regional economic growth. Research by Kusumaningrum, (2019) emphasizes that the agricultural sector often serves as a backbone for economies in areas heavily dependent on natural resources. Thus, strengthening this sector is vital for the sustainability of Penajam Paser Utara Regency. The aim of this research is to analyze which sectors are classified as basic and non-basic sectors, and how economic competitiveness contributes to economic growth in Medan City. This study employs a quantitative research method using analytical tools such as Location Quotient (LQ), Shift-Share, and Klassen Typology (Ratnawati & Sari, 2023).

### **Comparison with Other Sectors**

As a leading sector, Agriculture, Forestry, and Fisheries contribute more significantly than other sectors, including mining and excavation. This demonstrates good economic diversification, where the region is not solely reliant on one sector. Research by Mulya et al (2024) highlights the importance of diversification in reducing economic risks and enhancing regional resilience to global market fluctuations. The multiplier output agricultural sector has multiplier output impact lower than other sectors in the economy. Multiplier household income and employment agriculture have a greater multiplier effect than other sectors. (Desiyanti L, 2020). Location Quotient of the Water Supply, Waste Management, Waste and Recycling Sector, Construction Sector, Accommodation and Food Services Sector, and Other Services Sector, which are the Leading Economic Sectors ( $LQ > 1$ ) (Hadi et al., 2018).

### **Recommendations for Sector Development**

Given the existing potential, it is recommended that local governments focus on developing agricultural infrastructure, enhancing farmer capacity, and implementing modern agricultural technologies. For instance, adopting precision agriculture technology could improve productivity and efficiency. According to research by Yulianto (2020), the implementation of modern technology in agriculture in regions with abundant natural resource potential can increase crop yields and farmer income (Suharman & Khairi, 2024).

#### 4. CONCLUSION

Based on the research findings and discussion, the researcher presents the following conclusions. The analysis concludes that the sectors of agriculture, forestry, and fisheries are included among the leading economic sectors in Penajam Paser Utara Regency. This sector demonstrates excellent performance with a significant contribution to the region's Gross Regional Domestic Product (PDRB) and Gross National Product (GNP). The growth of the agriculture, forestry, and fisheries sectors is supported by increased investment, technological innovation, and sustainable production capacity enhancements. Additionally, this sector plays a crucial role in creating job opportunities for the local community and promoting more inclusive and sustainable economic growth. The government of Penajam Paser Utara Regency has also implemented policies to develop the agriculture, forestry, and fisheries sectors, based on several initiatives including: policies for regional economic development, enhancing the role of the region as a motivator, facilitator, and mediator; streamlining the licensing system for industry, trade, and integrated investment; empowering the local economy through Joint Business Groups (KUB), cooperatives, and individual/informal enterprises; fostering the business world by creating a conducive environment for investment; and strengthening the potential and capabilities of the community through improving technical skills and business skills.

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