THE EMPOWERMENT OF PEOPLE’S PRIORITY ECONOMY BY CLUSTERING ECONOMIC SECTORS IN EAST KALIMANTAN PROVINCE (The Case Of 6 Regencies/Cities In East Kalimantan)

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ABSTRACT

ARKAS VIDDY, ANDI SYARIFUDDIN AND ZUHRIAH: Balikpapan, West of Kutai, East of Kutai, Paser, Bontang and Berau are the regencies/districts where located in East Kalimantan Province. Most of local communities in these regions can survive because of this resources by utilizing them. Unfortunately they still using a traditional method and lead their level of income is still low. For these reasons it needs to be designed the model of priorities clustering sectors which can improve the local communities income in East of Kalimantan.

The main objective of this research is to build the economy cluster which can increase the local communities income in Tarakan City using diamond porter, Marketing analysis for creating the empowerment of local communities income in East Kalimantar. Others objectives are reflected as to analyze the factors to impact the Allocated Regional Budget (APBD) and the economic sector priorities in East Kalimantan and to analyze the economic sectors priorities using diamond model.

The most economic sector priorities which local communities can involve to work in it are Fishery and Agriculture which can be identified by involving of almost all family members and the amount of production. There are some obstacles in this business such as input e.g capital for Fishery and Agriculture fields. Lack of capital these businesses because in all of a loan proposal need to be followed by a certificate as a collateral, while they haven’t any certificate (land or house certificate). On the other hand, it is no significant influence between regional economic indicators to the Allocated Regional Budget and the economic sector priorities except productive labor forces and the domestic investments. It means that the local government should be evaluated.

The solution can be proposed are the local government should concern and focused on the local community obstacles such as to implement the appropriated aid or loan models for who involving in Fishery and Agriculture fields. The small business association system need to be established which all of the productions need to be collected by association and distribute it to the potential market with the good price. The association must provide a certainty amount of fund to be lent to the farmers and avoiding high rate cost of capital.

Keyword: Economic, priority, sectors, clustering, allocated regional budget, labor forces and domestic investments.
INTRODUCTION

Local community economy is the strategic issue because it is proved powerful facing the economy crisis. It is noted when Indonesia experienced some crisis era such as a multy dimension crisis in 1998, a global financial crisis in 2008 until now. The recent condition is the value of Rupiah is falling down at about Rp 14.700 per US dollar in this September of 2015. The solution from Central Government of Indonesia is launching the Economic Policy Packed which are expected increased the purchased power people. The packed such as pushing the Indonesian industries competencies by launching some deregulations, reducing business barriers and increasing investment in property sector.

Since 1998, Agriculture fields and local raw resources are usually used for increasing Indonesian economy, because they could be utilized as the strenght points for avoiding the negative impact of global crisis which are because of importing some inputs of production from abroad. This economy must dominated by local people for improving their income with generating small, middle and micro scale of businesses. The businesses should be labour intensive and not capital intensive, so it is called a people priority economy.

The local community economy can be identified by the structure of Gross Domestic Product (GDP). Since the increasing of sub sector in GDP dominated by labour intensive, so that country economy policy can be called as a people’s priority economy policy. It needs to be identified and analized that the country implements this kind of policy or a capitalism economy policy, or mixed economy policy between a people priority economy and a capitalism economy by comparing the number of labour and the number of capital.

Infact, the model of people’s priority economy does not exist both at city/district or village level and it creates the main cause of unequally of income and social-economy unfair from local to national level. The local economy structure is dominated by a group of broker as a capital owner, government officers at all levels, and big companies. This parties are the main barriers of local communities which could lead unequally and unfair in managing economy resources. On the other hand, all of economy resources are behalf of people. It is noted that at about 70 percent farmers have only a few of land with a very narrow agriculture field, while other haven’t any land and they work as an agriculture labour.

It is indicated that land productivity is declining because of changing function the farms into local communities houses. In 2001 to 2003, on at about 610.596 ha farms be built local communities houses and other local communities activities. On the other hand, even Indonesia experienced decreasing of agriculture fields, but the number of farmers increase and it is noted that in 1993 only 20.8 million farmers to be 25.4 million farmers in 2003 (Agriculture Census, 2003). In average, each farmer has only at about 0.25 ha farm (Ismawan, 2005).

As a policy decision maker, the government should attempt to fulfill all of basic human right their people especially economy welfare. In this case the government should implement more suitable the national economic system with the real Indonesian internal conditions for creating economy opportunities. In fact, the natural and human resources, or the economy institution are not homogeneous, hence the economy development strategies should focus on people’s needs based on family ordemocratisation economy and implementing the sustainable development.

For strenthening the people’s priority economy, the agricultural industry is the cumpulsary requirement for supporting macro economy condition in developing the people’s priority economy which most of them are focus on agricultural basis. In term of this kind strenthening, it needs to be fulfilled sufficient condition infrastructures for developing the farmer business organization for creating the added value for agricultural industry including putting farmer business organization on the right function as a marketing institution of agricultural products. (ArkasViddy, 2013)

The East Kalimantan is one of the wealthiest province in Indonesia which has the highest GDP in Indonesia with the structure of GDP consist of Mining Sector (42.52 percent), Trade, Hotel and Restaurant Sector (14.39 percent), Agriculture Sector (10.72 percent), Industry and Manufacture Sector (8.96 percent), and Transportation and Communication Sector (6.96 percent), economic growth at about 6.32 percent and unemployment rate at about 7.66 percent or 243 thousand people in 2012 (BappedaKaltim, 2011). It is resulted based on implementation of various economy development policy such as labor forces.

Nowaday, there are some policy being implemented by the district or city government in East Kalimantan such as the soft loan called People Business Finance (Kredit Usaha Rakyat/KUR) with 9 percent interest rate per year and the target costumers are the small and middle businesses at about Rp 500 million per unit business using all of banks in East Kalimantan which Trading and Industry Department to be a
The fund being lent called rolling fund. The rolling fund is the fund with the certainty amount be provided for local community who has a good prospect small business. After the payback this soft loan, other small business can propose this amount of soft loan. The complete planning for increasing local community has been designed by central government followed by the standard supervisory and standard evaluation. It is expected the growth of local community income would better in future.

Ironically, the income of each small and medium business in East Kalimantan are still low and it is indicated an unexpected number of income. Moreover, the rate of poor people East Kalimantan reaches 6.77 percent or at about 247 thousand people in 2011, while in year 2010, it is indicated 7.66 percent or at about 243 thousand people. It lead the contribution of the small and medium business into GDP are low which pushed the number of poor people in East Kalimantan. It can be concluded that there are some serious matters in implementing the people’s priority economy in East Kalimantan.

Based on these reasons, the research with title The Empowerment of People’s Priority Economy by economic clustering model in East Kalimantan the case of Balikpapan City, East Kutai Regency, West Kutai Regency, Paser Regency, Bontang City and Berau Regency need to be done for generating an useful model and leads people income higher.

The problem needs to be formulated are:

1. Is there any influenced significantly between unemployment, 2nd priority GRDP, labor forces, domestic investment, and small business soft loan to the allocated regional budget in East Kalimantan?

2. Is there any influenced significantly between unemployment, 2nd priority GRDP, labor forces, domestic investment, and small business soft loan to 1st priority GRDP Growth in East Kalimantan?

3. Is there any influenced significantly between the allocated regional budget to 1st priority GRDP Growth in East Kalimantan?

The objectives of this research are:

1. To analyze and to prove the influences between unemployment, 2nd priority GRDP, labor forces, domestic investment, and small business soft loan to 1st priority GRDP Growth in East Kalimantan.

2. To analyze and to prove the influences between unemployment, 2nd priority GRDP, labor forces, domestic investment, and small business soft loan to 1st priority GRDP Growth in East Kalimantan.

3. To analyze and to prove the influences between the allocated regional budget to 1st priority GRDP Growth in East Kalimantan.

The contribution of this research to the government and local communities are:

1. As a consideration thing in deciding some economy development policies in East Kalimantan scope or national scope.

2. As a guideline for empowerment the people’s priority economy in East Kalimantan.

3. As a selected the empowerment the people’s priority economy sample in Indonesia

**THEORY**

**People’s Priority Economy**

The economists have different views of economic development, some of them stated that an economy development needs to be done based on inter action with a global economy, in case of competition and capital factors which are the main matter needs to be focused on, so the developing of economy policy tends to the neo-liberalism direction. On the other hand, some economists state that economy development policy should focus on local communities and to empower the local communities' economy is the unconditional requirement. (Mubyarto, Ekonomi Pancasila, 2003)

Osborne and Gaebler (1993) stated that the empowerment people’s priority economy is an independent development local community paradigm concept which has some principals such as a community oriented.

**The Empowerment of People’s Priority Economy**

For increasing the local community income, it need to be optimalized all of the resources which have involved in people’s priority economy. The resources consist of natural resources, human resources and technology which could be empowered for achieving the increasing people’s welfare as a main goal of the country.

The empowerment contains the main target such as creating the fair competition which could be a trigger for creating survival opportunities for the small and middle size businesses, and then to develop it, in order to contributing the beneficial economy (Prawirookusumo, 2008)
**METHODOLOGY**

**Research Scope**

The scope of research is only six cities and district in East Kalimantan. In this case the research would to be done in Balikpapan City, Bontang City, Berau, Paser, East and West of KutaiDistricas the samples in this research.

**Data Type**

Most of data used on this research are primary data combining with secondary data.

**Collecting Data Method**

Data collection method done by the method of Rapid Rural and Urban Appraisal (RRUA). The questions will be distributed for getting primary data while library study will be done for getting secondary data.

**Model Analysis**

The conceptual model of East Kalimantan Economic Priority 2015

**Instrument Analysis**

Porter Five Industry Analysis

This instrument will identify five key structural features that determine the strength points of the five competitive forces within an industry and hence industry profitability such as: Buyer Power, Supplier Power, Threat of Entrants, Threat of Substitutes, and Competitive Rivalry. Michael E. Porter (1980).

**Multiple Regression Analysis**

\[ Y = \beta_0 + \beta_1X_1 + \beta_2X_2 + \beta_3X_3 + \beta_4X_4 + \ldots + \beta_nX_n + E \]

In this research it can be implemented by following formulation:

\[ Y_1 = \alpha_0 + \alpha_1X_1 + \alpha_2X_2 + \alpha_3X_3 + \alpha_4X_4 + \epsilon_1 \]
\[ Y_2 = \partial_0 + \partial_1X_1 + \partial_2X_2 + \partial_3X_3 + \partial_4X_4 + \mu_1 \]
\[ Y_2 = \partial_0 + \partial_1Y_1 + \mu_2 \]
\[ Y_1 = 1^{st} priority Gross Regional Domestic Product \]
\[ X_1 = unemployment \]
\[ X_2 = 2^{nd} Priority GRDP Growth \]
\[ X_3 = labor forces \]
\[ X_4 = domestic investment \]
\[ X_5 = small business soft loan \]
\[ Y_2 = allocated regional budget \]
\[ \epsilon_1, \mu_1, \mu_2 = error level \]

The multiple regression will be analyzed using SPSS software

**ANALYSIS AND DISCUSSION**

**Analysis**

Porter Five Industry Analysis

The strength points of the five competitive forces within an industry and hence industry profitability such as: Buyer Power, Supplier Power, Threat of Entrants, Threat of Substitutes, and Competitive Rivalry.

Using this kind of analysis the sector of each city/district should has been identified and decided. In this research there are some the most priority sectors need to be analized such as:

a. Balikpapan City for Fishery sub sector
b. West of Kutai Regency for Agriculture sector
c. East Kutai for Agriculture sector
d. Paser Regency for Agriculture sector
c. Bontang City for Fishery sub sector

f. Berau Regency for Fishery sub sector

Multiple Regression Analysis

a. Balikpapan City for Fishery sub sector as 1st priority GRDP Growth
X1, X2, and X4 have positive influenced but not significant to Allocated Regional Budget, X3 has positive influenced and significant to Allocated Regional Budget, while X5 has negative influenced and not significant to Allocated Regional Budget.

X1, X2, and X4 have positive influenced but not significant to 1st priority GRDP Growth, X3 and X5 have negative influenced and not significant to 1st priority GRDP Growth.

On the other hand, Allocated Regional Budget has negative impacted and not significant to 1st priority GRDP Growth in Balikpapan.

b. West of Kutai Regency for Agriculture sector 1st priority GRDP Growth
X1, X2 and X5 have negative influenced but and not significant to Allocated Regional Budget, X3 and X4 have positive influenced and significant to Allocated Regional Budget, while X5 has negative influenced and not significant to Allocated Regional Budget.

X1 and X5 have positive influenced but not significant to 1st priority GRDP Growth, X2, X3 and X4 have negative influenced and not significant to 1st priority GRDP Growth.

On the other hand, Allocated Regional Budget has a negative impacted and not significant to 1st priority GRDP Growth in West of Kutai Regency.

c. East Kutai Regency for Agriculture sector 1st priority GRDP Growth
X1 has a positive influenced and not significant to Allocated Regional Budget, X2 and X5 have negative influenced and not significant to Allocated Regional Budget, X3 has a positive influenced and significant to Allocated Regional Budget, while X4 has a negative influenced and significant to Allocated Regional Budget. The regression formulation is

Y1 = 0.027X1 - 0.003X2 + 1.725X3 - 0.633X4 - 0.228X5

X1 and X3 have positive influenced but not significant to 1st priority GRDP Growth, X2 has a positive influenced and significant to 1st priority GRDP Growth, while X4 and X5 have negative influenced but not significant to 1st priority GRDP Growth and the regression formulation is

Y2 = 0.160X1 + 0.919X2 - 0.0576X3 - 0.576X4 - 0.284X5

On the other hand, Allocated Regional Budget has a positive impacted and significant to 1st priority GRDP Growth in East of Kutai Regency with the regression formulation as Y2 = 0.631Y1

d. Paser Regency for Agriculture sector 1st priority GRDP Growth
X1, X2, and X4 have negative influenced but not significant to Allocated Regional Budget, X2 has a positive influenced and not significant to Allocated Regional Budget, X3 has a positive influenced and significant to Allocated Regional Budget.

The regression formulation is

Y1 = -0.060X1 + 0.050X2 + 1.185X3 - 0.062X4 - 0.0387X5

X1, X2 and X3 have a positive influenced and not significant to 1st priority GRDP Growth, while X4 and X5 have a negative influenced but not significant to 1st priority GRDP Growth, the regression formulation is

Y2 = -0.528X1 - 0.547X2 - 0.375X3 + 0.037X4 + 0.042X5

On the other hand, Allocated Regional Budget has a negative impacted and not significant to 1st priority GRDP Growth in Paser Regency with the regression formulation as Y2 = -0.041Y1

e. Bontang City for Fishery sub sector 1st priority GRDP Growth
X1, X3 and X5 have a positive influenced but not significant to Allocated Regional Budget, X2 and X4 have negative influenced and not significant to Allocated Regional Budget, The regression formulation is

Y1 = 0.549X1 - 0.485X2 + 0.288X3 - 0.234X4 + 0.084X5

X1, X2, X3 and X5 have positive influenced but not significant to 1st priority GRDP Growth, while X4 have a negative influenced and not significant to 1st priority GRDP Growth, the regression formulation is
Y2 = 0,328X1 + 0,355X2 + 0,3101X3 - 0,042X4 + 0,337X5

On the other hand, Allocated Regional Budget has a positive impacted and not significant to 1st priority GRDP Growth in Bontang City with the regression formulation as Y2 = 0,494Y1

f. Berau Regency for Fishery sub sector 1st priority GRDP Growth
X1, X2 and X4 have negative influenced but not significant to Allocated Regional Budget, X3and X5 have a positive influenced but not significant to Allocated Regional Budget, The regression formulation is

Y1 = -0,087X1 - 0,17 X2 + 0,554X3 - 0,550X4 -0,797X5

X1, X2 and X4 have negative influenced but not significant to 1st priority GRDP Growth, while X3 has a positive influenced but not significant to 1st priority GRDP Growth, while X4 and X5 have negative influenced but not significant to 1st priority GRDP Growth, while X5 has a positive influenced and significant to 1st priority GRDP Growth, the regression formulation is

Y1 = -0.081X1 - 0.278X2 +0.048X3 - 0.259X4 +1.347X5

On the other hand, Allocated Regional Budget has a negative impacted and not significant to 1st priority GRDP Growth in Berau Regency with the regression formulation as Y2 = - 0,07Y1

Discussion

Based on all of analyzed it needs to be discussed what need to be proposed. All of cities and regencies in East Kalimantan have a high potential priority sector of gross regional domestic product because most of cities/regions have weak competitive rivalry, weak of substitutes, and weak threat of entrants (except West of Kutai, Bontang City and Berau Regency). It supported by the of respondents answering that they thinks their main job as a farmer or fisherman is the most they like because the problems they when they are working are not very complicated or easy to be solved. Their experienced that they have a good level of production and it easy to sell. They think that the competitive price is the advantage value of their main product. Most of them assumed that they have no barrier in producing their main business. The contribution of government institution is very useful in increasing their profit of business. The strength of their business is adequately of resources lead the sustainable regional economic development. The weakness point in producing is the technology they used because the usually use is very level of technology because limited of capital.

Based on multiple regression analysis some of independent variables have significant impact to dependent variables.

Only X3 (labor forces) has a positive influenced significantly to Allocated Regional Budget. It means Balikpapan government’s policy regards to unemployment, 2nd priority GRDP Growth, and small business soft loan are not running effectively. The government should consider those variables when they are decide the allocation of regional budget every year. It leads hard to reduce unemployment rate, labor forces are not distributed effectively, GRDP growth is still low, moreover small business soft loan tends decrease regularly. It needs to be concerned that X5 contributed negative influenced even not significant to Allocated Regional Budget and it leads X3 (labor forces) and X5 (small business soft loan) contributed negative not significant to 1st priority GRDP Growth. To conclude Balikpapan government needs to be evaluated its policies especially conducted to unemployment, GRDP, domestic investment, and small business soft loan.

West of Kutai Regency has agriculture sector (oil palm tree) as 1st priority GRDP Growth hand it supported by appropriate allocated regional budget. On the one hand, there are some variables such as unemployment, 2nd priority GRDP Growth, and domestic investment contributed a negative influenced even not significant to Allocated Regional Budget. At least this condition reflected West of Kutai Regency’s government policies regarded to those factors need to be evaluated. To reduce unemployment rate such as in stimulating the labor intensive business. To allocate regional budget in supporting agriculture fields. On the other hand, labor forces and domestic investment contributed positive influenced significantly to Allocate Regional Budget. It means that the local government should keep maintain what they’ve implemented regarded to both factors. Unfortunately, there isn’t factor influenced significantly to 1st priority GRDP Growth and it leads less impact of Allocated Regional Budget to 1st priority GRDP Growth, so all of local government policies related to these factors need to be evaluated.

For East Kutai Regency, only X3 (labor forces) factor contributed positive influenced significantly and the policy’s needs to be maintained or to be pushed. Unfortunately, a domestic investment contributed a negative significantly to Allocated Regional Budget and it reflected that the domestic investment policy in East of Kutai Regency needs to be evaluated. For this case, domestic investment policy needs to be followed by
some appropriate deregulations. In funding all projects from Allocated Regional Budget, the local government spent it wisely and led to the positive impacted to 1st priority GRDP Growth of East Kutai Regency.

Labor forces isthe most important factor for Paser Regency government and it has been proved by regression analysis that labor forces contributed a positive significantly to the Allocated Regional Budget. It means that from 5 factors to be observed only labor forces policy run effectively and it needs to be supported by another factors. Regarded to 1st priority GRDP Growth. Surprisingly, domestic investment and small business soft loan contributed a positive influenced, unfortunately it is not significant and led the allocated regional budget contributed negative influenced to 1st GRDP Growth. It indicated that the local government has to evaluate the way they spent their fund.

Bontang city has a specific condition among 6 cities/regencies in East Kalimantan, because no factor has significant to The Allocated Regional Budget or to 1st priority GRDP Growth, so the local government needs to evaluate their policy regarded to its factors. Luckily, unemployment, labor forces, 2nd GRDP Growth and Small Business Soft Loan contributed a positive influenced, but still not significant. It means that the local government still has to launch some deregulation in pushing the positive effects of those factors.Regarded to relationship between The Allocated Regional Budget and 1st priority GRDP Growth, it needs to be arranged the composition of sub budget. The amount of budget to fishery fields needs to be increased.

Berau regency has the worst condition among 6 cities/regencies because almost all variables contributed negative influenced to The Allocated Regional Budget and 1st GRDP Growth except small business soft loans. It indicated that government policies regarded those factors need to be evaluated and it necessary followed deregulation especially in domestic investment deregulations, soft loan policies, and unemployment policies. Local government has to implement the right policies and focus on how to solve the barriers. Soft loan or funding packed under an expert supervisory need to be launched. Infrastructures for supporting fishery fields needs to be revitalized and utilized. Training for special purposes must be done regularly related to fishery fields.

CONCLUSION

Based on the analysis and discussion, to conclude that:

1. Labor forces the only one variable contributed a positive influenced to The Allocated Regional Budget in East Kalimantan.

2. Labor forces the only one variable contributed a positive influenced to 1st priority GRDP Growth in East Kalimantan.

3. There is positive and negative influenced but not significant between The Allocated Regional Budget to 1st priority GRDP Growth in East Kalimantan.

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