Potential Analysis of The Economic Sector in Efforts to Increase Economic Growth with Location Quotient (LQ) Analysis

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Abstract. The purpose of this research is to analyze the sector's economic potential in the development of West Sumatra Province, and to identify potential economic sectors in the province with competitive advantages and specialization. The LQ (Location Quotient) analysis used in this study to identify economic sectors in the development of West Sumatra Province, and also potential competitive sectors. Time series data on GDP growth between the study area and the reference area aids the analysis. The findings indicate that the transportation and warehousing sector, as well as agriculture, forestry, and fisheries, are the main basis for the sector in West Sumatra Province's district from 2016 to 2020, while the city of Padang's main base is agricultural, forestry, and fisheries.

Keywords: Potential Analysis; Economic Sector; Economic Growth; Location Quotient.

1 Introduction

Economic development is a key element of regional economic development, and it has far-reaching policy implications. The basic goal of regional economic growth analysis is to explain how certain regions grow rapidly whereas others grow slowly (Sjafrizal, 2012). Although it is generally believed that the economic aspect of development is not the only determining factor, economic growth is an important element of regional and national development. It is undeniable that establishing reasonably high economic growth is the main objective of regional and national development programs.

It is hoped that the community's welfare will gradually improve as a result of high regional economic growth. According to Todaro (2006:22), development must be viewed as a multifaceted process that includes various fundamental changes to social structures, people's attitudes, and national institutions, as well as continuing to pursue accelerated economic growth, addressing income inequality, and alleviating poverty. As a result, a country's progress can be judged positive not just in terms of its increasing economic growth, but also in terms of the other factors indicated above.

If an area has the potential for an economic sector capable of speeding development and other sectors, it will experience accelerated growth (Rustiadi et al., 2011). The message was then delivered that, in order to deploy available resources appropriately, it is critical to identify

the economic sector's potential in regional development. The expansion and development of other economic sectors in the local area, as well as the economy of the surrounding area, is said to be aided by the potential growth of an area's economic sector. In this situation, the region for increasing the economic sector's potential is also projected to boost labor and resource absorption from the surrounding area, as well as the development area of the leading company.

The number of poor persons in the Province of West Sumatra, according to BPS data, is 344,230. With a population of 42,170 thousand people, Padang is the city with the most poverty. Unemployment is also relatively high in West Sumatra, with 190,610 persons unemployed in 2020. In terms of education, the Pure Participation Rate (APM) in West Sumatra is 91.55, which is lower than the national average of 92.88, according to statistics from the Susenas.

Thus, based on these data, it is appropriate and continuing to improve with the capabilities possessed in the form of regional potential so that they can be utilized as much as possible in increasing the community's production (output) so that high poverty rates can be reduced while increasing economic growth at each strata community life. The following is the formulation of the problem in this study, based on the foregoing context: How to assess the economic sector's potential in the Province of West Sumatra and the City of Padang's development efforts.

Recognizing the Regional Economic Sector's Potential

Regional planners must be able to evaluate the region's economic potential. This is related to his responsibility, on the one hand, to identify the real sectors that need to be developed in order for the regional economy to grow quickly, and on the other hand, to be able to identify the factors that limit the sector's potential and determine whether overcoming these weaknesses should be a top priority.

Following the adoption of regional autonomy, each region has more freedom to choose which sectors/commodities to grow as priorities. Local governments' ability to discern sectors in the region that have advantages or disadvantages is becoming increasingly crucial. Advantaged industries have higher development prospects and are likely to encourage other sectors to develop as well. There are various analytical approaches that can be used to estimate a region's economic sector's potential. The Location Quotient was employed as an analytical tool in this investigation (LQ).

Analysis of the Location Quotient (LQ)

According to (Tarigan, 2009), the Location Quotient is a comparison of the size of a sector/role industry in a given area to the size of that sector/role industries nationally. Many factors are compared, but the most prevalent are value added (income level) and job number. The added value is as follows: (income level). the formula is as follows:

$$LQ = \frac{\frac{x_i}{PDRB}}{\frac{X_I}{PNB}}$$

Where:

X_i = represents the added value of sector I in a given area.

Gross domestic product (GRDP) = a term that refers to the total value of a

X_i = national added value of sector I

The gross national product (GNP) = the total value of all goods and services produced in

The concept "national territory" can refer to both the main and superior territories. When you compare a district to a province, for example, the province serves as a national territory, and so on. If LQ > 1, the sector's position in the region is more important than the sector's role at the national level. This indicates that the region has a surplus of sector I items, which it exports to other areas. If LQ 1, on the other hand, the sector's role in the region is smaller than the sector's

role nationwide. The LQ analysis according to the formula is indeed very simple, and the benefits of being used as a one-shot analysis, namely merely seeing if the LQ is over 1 or not, are likewise not very great. LQ analysis, on the other hand, can be made more fascinating if it is done as a time series or trend, which means it is evaluated over a set length of time.

In this scenario, the evolution of LQ for a certain sector can be studied through time, whether there is an increase or reduction. This may inspire more investigation, such as if the increase is due to circumstances that cause our region's growth to outpace the national average. If it declines, therefore, the factors that cause our region's growth to be slower than the national average can be investigated. It can also help us see our region's strengths and weaknesses in relation to the rest of the world. Regional development initiatives make use of positive potential. The reasons that limit a sector's potential in an area must be examined when deciding whether it should be addressed or not.

Growth of the economy

According to Sjafrizal (2014: 88), the theory of economic growth distinguishes itself from macroeconomic theory, although the theory of economic growth in this region stresses its attention to the economic growth of a specific area rather than a country, as is typical in macroeconomic analysis. Furthermore, the theory of regional economic growth explicitly considers components of location and spatial design. Economic growth is one indicator of a country's economic development success. The quantity of growth reflected by changes in national output determines an economy's welfare and advancement.

According to Ma'ruf and Wihastuti, the existence of changes in output in the economy is a short-term economic study (2008). According to Todaro (2003: 92), there are three main determinants of a country's economic growth: I capital accumulation, which includes all forms or types of new investments in land, physical equipment, and human resources; (ii) population growth, which increases the number of workers in the coming years; and (iii) technological advancements.

Economic growth, according to Kuznets (2012: 57), is an increase in a country's long-term capacity to deliver diverse economic commodities to its population. Progress or technological, institutional (institutional), and ideological changes to the varied demands of the existing situation determine or make possible the rise in capacity.

According to Todaro (2012: 57-65), the following are the features of modern economic growth, Kuznets:

a. The relationship between population growth and per capita product, which states that as the population grows, so must the number of per capita incomes.
b. Higher productivity, which reflects increased economic growth in per capita output, particularly increases in the quality of inputs that boost efficiency or productivity per unit of input.
c. The rate of structural change, which includes the transition from agricultural to non-agricultural activities, from industry to services, from individual enterprises to legal entities, and changes in the beginning of workers' labor.
d. 4.Urbanization, which is characterized by a shift in population from rural to urban areas in developed countries.
e. Expansion of Developed Countries, which is marked by the development of modern science and knowledge; the industrial revolution, which began in England, has now shifted and extended to Europe and Japan.

Still, according to Jhingan (2012: 67), economic growth is influenced by a number of factors, including economic factors such as natural resources, human resources, capital, organization, technology, division of labor, and production scale, as well as non-economic

factors such as social, political, and administrative factors. According to Subandi (2011: 47), Rostow's growth theory separates it into five stages, and each country can be in one of these stages of development:

a. Traditional society's stage (the traditional society)
b. The pre-flight preparations
c. The take-off stage (the takeoff)
d. The period of transition from childhood to adulthood (the drive of maturity)
e. High-volume-consumption stage (the age of high mass consumption)

There are three types of community goals, according to Rostow, that fight for available resources and political support. The following are the three goals:

a. Extend the country's authority and influence abroad, which may culminate in the conquest (invasion) of other countries.
b. Creating a Walfare state, in which prosperity is more evenly dispersed among the population through pursuing income sharing through progressive taxation.
c. Increasing public consumption from fundamental needs such as food, clothes, and housing to a higher degree of consumption that includes both durable consumer products and luxury goods at the same time.

Factors that indirectly influence regional growth include features of locational decisions, the formation of urban systems, and agglomeration mechanisms, but can also influence regional economic growth directly, according to Nugroho and Dahuri (2012: 57). Growth and development have varied meanings, although regional growth is always accompanied by structural changes, according to Parr (1999). A region's growth and development is a continual process that is influenced by a variety of decisions made within or influencing the region. The process is complicated, encompassing social, environmental, and political factors.

2 Research Methods

The literature review strategy was employed to acquire data for this investigation. This strategy entails conducting library research, which entails examining reading materials relevant to the research. Publications issued by the West Sumatra Provincial Government and the Padang City Government through the Central Statistics Agency (BPS), libraries, and internet downloads of articles, journals, and other books are only a few examples.

Sources and Data Types

Type of information

This research makes use of secondary data in the form of time series data with a 2016-2020 observation period (5 years). The following data was used: In 2010, the Gross Regional Domestic Product (GRDP) of West Sumatra Province and Padang City was calculated using constant pricing for each business field. The Location Quotient (LQ) analytical tool relies on this data.

Source Of Information

The information used in this study is secondary. Secondary data is information that has already been gathered and processed by others as a result of the research conducted. The following are some of the data sources:

a. West Sumatra Province's Central Statistics Agency (BPS)
b. Padang City's Central Statistics Agency (BPS)

Methodology of Analysis
Analysis of the Location Quotient (LQ)
The Location Quotient (LQ) analytical tool analyzes the size of the sector's role in the reference region to the contribution (City of Padang) (Province of West Sumatra). The following is the formula:

$$LQ = \frac{\frac{x_i}{PDRBk}}{\frac{X_I}{PDRBp}}$$

LQ: Location Quotient Index xi: The additional value of Padang City's Sector I
GRDPk: total GRDP of Padang City's sector I
Xi: In West Sumatra Province, the added value of sector I
PDRBp: total GRDP of West Sumatra Province's sector I

The following are the LQ measurement criteria:
a. A value of 1 indicates that sector I in Padang City is smaller than the same sector in West Sumatra Province. This is not a basic sector with little development potential. In actuality, the sector serves solely that region's consumption demands.
b. LQ = 1 denotes that sector i's relative role in the city of Padang is the same as sector i's relative role in the province of West Sumatra.
c. LQ > 1 indicates that sector I in Padang City has a higher level of specialization than the identical sector in West Sumatra Province. Furthermore, it can be understood to mean that the City of Padang can export sector i's output outside of the territory. This is the foundational industry, and it has the capacity to grow.

The LQ value achieved is the year's LQ index. This study, on the other hand, employs a 2016-2020 observation period. To calculate the LQ index for the next five years, take the average of the LQ values from 2016 to 2020. The following is how to calculate the average:

$$XLQ = \frac{\sum LQ}{N}$$

Description
XLQ stands for the average calculated LQ index.
N: Total Data LQ: LQ Index Index LQ: LQ Index Index LQ: LQ Index Index LQ
If sector I has always been the foundation sector during the research era, then this is an important sector that requires more attention to develop.

Discussion Of the Research Results
Analysis of the Economic Sector Potential in West Sumatra Province and Padang City
The economic foundation hypothesis is based on his belief that the extent of a rise in exports from a region determines its rate of economic growth. Basic and non-basic economic activity are divided into two categories. Basic activities are the only things that can help a region's economy grow. The following is an example of how to sort between basic and non-basic activities using Location Quatien (LQ) analysis:

$$LQ = \frac{\frac{xi}{PDRBk}}{\frac{X_I}{PDRBp}}$$

Decsription
LQ: Location Quotient Index

xi: Value Added Sector I West Sumatra
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LQ: Location Quotient Index
GRDPk: total GRDP of West Sumatra sector I
Xi: The national added value of sector I
GRDP: gross domestic product (GDP) of sector I on a national level.

The following are the LQ measuring criteria:
a. LQ 1 indicates that sector I in West Sumatra is smaller than the same sector across the country. This is not a basic sector with little development potential. In actuality, the sector serves solely that region's consumption demands.
b. LQ = 1 denotes that sector i's relative role in West Sumatra is the same as its national relative role.
c. LQ > 1 indicates that West Sumatra has a higher level of specialization in sector I than the rest of the country. Furthermore, it is possible to deduce that West Sumatra can export sector i's output outside of the region. This is the foundational industry, and it has the capacity to grow.

The LQ value achieved is the year's LQ index. This study, on the other hand, employs a 2016-2020 observation period. To calculate the LQ index for the next five years, take the average of the LQ values from 2016 to 2020. The following is how to calculate the average:

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3   Results and Discussion

3.1 Results
Analysis of the Economic Sector Potential in West Sumatra Province and Padang City
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$$LQ = \frac{\frac{xi}{PDRBk}}{\frac{X_I}{PDRBp}}$$

Description:
LQ : Location Quotient Index
xi : Value added Sector i West Sumatra

GRDPk : total GRDP of sector i West Sumatra
Xi : The added value of sector i nationally
GRDP : total GRDP of sector i nationally

The following are the LQ measuring criteria:
a. LQ 1 indicates that sector I in West Sumatra is smaller than the same sector across the country. This is not a basic sector with little development potential. In actuality, the sector serves solely that region's consumption demands.
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Table 1. Results of LQ Calculation of West Sumatra Province in 2016-2020

No	Sector	Year				
		2016	2017	2018	2019	2020
1	Agriculture, Forestry, Fishery	1.35	1.29	1.24	1.17	1.17
2	Mining and excavation	0.51	0.50	0.52	0.54	0.56
3	Processing industry	0.45	0.44	0.41	0.38	0.40
4	Electricity and Gas Supply	0.10	0.10	0.11	0.10	0.10
5	Water Supply, Management, Garbage, Waste and Recycling	1.09	1.10	1.08	1.07	1.06
6	Construction	0.92	0.92	0.93	0.96	0.96
7	Wholesale and Retail Trade, Car and Motorcycle Repair	1.06	1.08	1.11	1.15	1.15
8	Transportation and Warehousing	3.11	3.07	2.97	2.89	2.37
9	Provision of Accommodation, and Food and Drink	0.42	0.43	0.44	0.45	0.39
10	Information and Communication	1.03	1.05	1.03	1.08	1.15
11	Financial Services	0.79	0.75	0.72	0.70	0.72

12	Real Estate	0.65	0.64	0.64	0.67	0.68
13	Company services /Business Activities	0.25	0.25	0.24	0.24	0.22
14	Government administration, Defense and Social Security	1.63	1.66	1.73	1.75	1.93
15	Education Services	1.18	1.28	1.31	1.35	1.45
16	Health Services and Social Activities	1.14	1.19	1.21	1.21	1.34
17	Miscellaneous Services	1.06	1.07	1.08	1.08	0.96

In 2021, processed product data was used as a data source.

Based on calculations using the LQ formula, the transportation and warehousing sector had the highest LQ value in West Sumatra Province in 2016, with a LQ value of 3.11, followed by the government administration, defense and social security, and educational services sectors, with LQ values of 1.63 and 1.18, respectively. In 2017-2020, the same sector will continue to lead, but the LQ value for each sector will decrease. In addition, the LQ measurement of Padang City from 2016 to 2020 may be determined using the formula:

$$LQ = \frac{\frac{xi}{PDRBk}}{\frac{X_I}{PDRBp}}$$

Description:
LQ : Location Quotient Index
xi : The added value of Sector i of Padang City
GRDPk : total GRDP of sector i Padang City
Xi : Value added sector i West Sumatra
PDRBp : total GRDP of sector i West Sumatra

The following are the LQ measurement criteria:
a. A value of 1 indicates that sector I in Padang City is smaller than the same sector in West Sumatra Province. This is not a basic sector with little development potential. In actuality, the sector serves solely that region's consumption demands.
b. LQ = 1 denotes that sector i's relative role in the city of Padang is the same as sector i's relative role in the province of West Sumatra.
c. LQ > 1 indicates that sector I in Padang City has a higher level of specialization than the identical sector in West Sumatra Province. Furthermore, it is possible to deduce that the City of Padang has the ability to export the output of

Table 2. Results of Calculation of LQ in Padang City in 2016-2020

No	Sector	Years				
		2016	2017	2018	2019	2020

1	Agriculture, Forestry, Fishery	0.21	0.22	0.23	0.24	0.24
2	Mining and excavation	0.74	0.81	0.76	0.73	0.74
3	Processing industry	1.58	1.58	1.64	1.71	1.52
4	Electricity and Gas Supply	0.71	0.88	0.94	1.03	1.06
5	Water Supply, Management, Garbage, Waste and Recycling	1.49	1.58	1.64	1.65	1.60
6	Construction	1.04	1.10	1.07	1.01	1.02
7	Wholesale and Retail Trade, Car and Motorcycle Repair	1.13	1.13	1.10	1.07	1.07
8	Transportation and Warehousing	1.28	1.26	1.27	1.30	1.60
9	Provision of Accommodation, and Food and Drink	0.91	0.96	0.99	1.01	1.18
10	Information and Communication	1.39	1.20	1.16	0.19	1.08
11	Financial Services	1.77	1.79	1.87	1.85	1.71
12	Real Estate	1.57	1.64	1.65	1.56	1.50
13	Company services /Business Activities	3.37	3.44	3.44	3.29	3.31
14	Government administration, Defense and Social Security	1.14	1.06	1.06	1.02	0.95
15	Education Services	1.21	1.14	1.18	1.15	1.07
16	Health Services and Social Activities	1.17	1.09	1.08	1.10	0.99
17	Miscellaneous Services	1.22	1.23	1.26	1.29	1.45

In 2021, processed product data was used as a data source.

According to the table above, the City of Padang's LQ was highest in the corporate services sector (business activities) in 2016, with a LQ value of 3.37, followed by the financial services sector with a LQ value of 1.77, and the agriculture, forestry, and fishery sector with a LQ value of 0.21. The business services industry was the only one to survive in the last five years, from 2017 to 2020.

3.2. Discussion

The results of the Location Quatien (LQ) method analysis of the base and non-base sectors in the Province of West Sumatra and the City of Padang shows that there are some significant differences between the base sector in the Province of West Sumatra and the City of Padang, as shown in the table below:

Table 3. Comparison and Average LQ of West Sumatra Province and Padang City in 2016 to 2020

No	Sector	Tahun					Rata-rata	Tahun					Rata-rata
		2016	2017	2018	2019	2020		2016	2017	2018	2019	2020	
1	Agriculture, Forestry, Fishery	1.35	1.29	1.24	1.17	1.17	**1.24**	0.21	0.22	0.23	0.24	0.24	**0.23**
2	Mining and excavation	0.51	0.50	0.52	0.54	0.56	**0.53**	0.74	0.81	0.76	0.73	0.74	**0.76**
3	Processing industry	0.45	0.44	0.41	0.38	0.40	**0.42**	1.58	1.58	1.64	1.71	1.52	**1.61**
4	Electricity and Gas Supply	0.10	0.10	0.11	0.10	0.10	**0.10**	0.71	0.88	0.94	1.03	1.06	**0.92**
5	Water Supply, Management, Garbage, Waste and Recycling	1.09	1.10	1.08	1.07	1.06	**1.08**	1.49	1.58	1.64	1.65	1.60	**1.59**
6	Construction	0.92	0.92	0.93	0.96	0.96	**0.94**	1.04	1.10	1.07	1.01	1.02	**1.05**
7	Wholesale and Retail Trade, Car and Motorcycle Repair	1.06	1.08	1.11	1.15	1.15	**1.11**	1.13	1.13	1.10	1.07	1.07	**1.10**
8	Transportation and Warehousing	3.11	3.07	2.97	2.89	2.37	**2.88**	1.28	1.26	1.27	1.30	1.60	**1.34**
9	Provision of Accommodation, and Food and Drink	0.42	0.43	0.44	0.45	0.39	**0.42**	0.91	0.96	0.99	1.01	1.18	**1.01**
10	Information and Communication	1.03	1.05	1.03	1.08	1.15	**1.07**	1.39	1.20	1.16	0.19	1.08	**1.00**
11	Financial Services	0.79	0.75	0.72	0.70	0.72	**0.74**	1.77	1.79	1.87	1.85	1.71	**1.80**
12	Real Estate	0.65	0.64	0.64	0.67	0.68	**0.66**	1.57	1.64	1.65	1.56	1.50	**1.58**
13	Company services	0.25	0.25	0.24	0.24	0.22	**0.24**	3.37	3.44	3.44	3.29	3.31	**3.37**

	/Bussiness Activities												
14	Government administration, Defense and Social Security	1.63	1.66	1.73	1.75	1.93	**1.74**	1.14	1.06	1.06	1.02	0.95	**1.05**
15	Education Services	1.18	1.28	1.31	1.35	1.45	**1.32**	1.21	1.14	1.18	1.15	1.07	**1.15**
16	Health Services and Social Activities	1.14	1.19	1.21	1.21	1.34	**1.22**	1.17	1.09	1.08	1.10	0.99	**1.09**
17	Miscellaneous Services	1.06	1.07	1.08	1.08	0.96	**1.05**	1.22	1.23	1.26	1.29	1.45	**1.29**

Data was processed in 2021, according to the source.

The transportation and warehousing sector, as well as agricultural, forestry, and fishery sectors, became the base sector and could be developed in West Sumatra Province on average in the last five years from 2016 to 2020, with LQ values of 2.88 and 1.24, respectively. Infrastructure development that is efficient will boost the economy's added value by facilitating the circulation of products and services. One of the variables boosting regional productivity is the availability of infrastructure.

The transportation sector's impact on the regional economy and expansion of employment prospects in West Sumatra, including the transportation sector group as a whole, has a relatively high backward and forward connection index (Eliza, 2017). Road transportation, as the major component of the transportation system, necessitates special consideration in governance design. Roads play a crucial role in supporting transportation, particularly for land transportation. The national road network in West Sumatra Province is 1,448.81 kilometers long, province roads are 1,525.20 kilometers long, and district roads are 19,834 kilometers long.

West Sumatra Province ranks 11th out of 34 Indonesian provinces in terms of road density (the ratio of road length to area). The agricultural sector is also the base sector in West Sumatra Province from 2016 to 2020, which is understandable given that this industry contributes significantly to the province's overall GRDP. With a productive land area of 194.282 hectares, this sector also absorbs the biggest number of workers from the population, with 935132 workers, or roughly 50% of the total workforce, working in the agricultural sector. Furthermore, it is backed by a local government agricultural development strategy program that is gradually boosting farmers' production through the provision of financial incentives.

Furthermore, the basic industries to be developed in Padang City, on average during the last five years, are corporate services and financial services, with LQ values of 3.37 and 1.80, respectively. According to these findings, the city of Padang, unlike the Province of West Sumatra, which continues to rely on the agricultural sector for its development, places a greater emphasis on corporate services and financial services. The emphasis of attention on the mechanisms in emerging nations in modifying the economic structure of the conventional subsistence agricultural economy, according to W. Arthur Lewis's theory of structural change.

In this case, the city of Padang is already in this stage and will prepare for a more modern economic structure that assumes that the average wage in this sector will be higher than in the agricultural sector. to a more modern economy that is oriented towards city life, has a diverse manufacturing industry sector, and a strong service sector; in this case, the city of Padang is already in this stage and will prepare for a more modern economic structure that assumes that

the average wage in this sector will be higher than in the agricultural the development of the financial sector is inextricably linked to economic growth.

Because the financial sector functions in mobilizing savings, reducing costs in obtaining potential investment information, managing risk, and facilitating trade transactions in both the goods and money markets, the development of the financial sector is a channel for economic growth through capital accumulation. The accumulated capital can be used for a variety of purposes.

4 Conclusion

This study has undergone a more focused evaluation process based on the data and analytical formulations utilized, allowing researchers to reach a number of findings that can be used as final results and as the basis for future development plans aimed at enhancing people's wellbeing. The transportation and warehousing sector, as well as agricultural, forestry, and fishing sectors, are the key foundations for the sector, according to GRDP statistics for the 2016-2020 timeframe in West Sumatra Province. These findings are in line with around 50% of the entire working workforce. With such a high degree of labor absorption in the agricultural sector in West Sumatra Province, it is believed that the regional government's agricultural development strategy program can help.

The corporate services and financial services sectors are the key base sectors in Padang. Based on these findings, it can be concluded that the economic structure of the city of Padang has changed from a traditional subsistence agricultural economy to a more modern economy that is oriented towards city life, has a diverse manufacturing industry sector, and a strong service sector; in this case, the city of Padang is in this stage and will prepare for a more modern economic structure, which assumes that the average wage rate of this sect is higher than the national average.

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