

## ORIGINAL ARTICLES

### Competitiveness and Policy Formulation to Agricultural Product Added Value in Banjar Regency, South Kalimantan

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#### ABSTRACT

Banjar Regency is the most popular regency in South Kalimantan Province. Banjar owns typical economic activities if compared with other regions. Those activities include agriculture and coal and diamond mining. This study is aimed to disclose competitiveness and policy formulation to agricultural product added value. The analysis applied in this study is Economic Growth Rate Analysis, Sector Contribution to Gross Regional Domestic Product (PDRB) Analysis, *Loqation Quotient* Analysis and Shift Share Analysis. The result of this study shows low competitiveness in agricultural sector due to low product diversification and relatively high competitiveness in mining sector due to massive mining exploitation. Government policy formulation is intended to improve competitiveness by means of technological development and product value increase particularly agriculture.

**Key words:** Competitiveness, policy formulation and *loqation quotien* analysis.

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#### Introduction

Banjar Regency is the most popular regency in South Kalimantan Province. Banjar owns typical economic activities if compared with other regions. Those activities include agriculture and coal and diamond mining. The economic activity in this region is relatively reliable characterized in 7.5% of economic growth from 2008 to 2009. Some regions have significant economic growth, but, at the same time it brings about significant decline in different regions. This economic condition is trapped in the so called zero sum (Azis and Iwan Jaya, 1994).

Unfortunately, such economic growth fails to emerge the increased competitiveness of agricultural activity. The agricultural activity is relatively slow in motion. Similarly, it also happens in mining activity which is lack of competitiveness despite the fact that the growth of mining sector is relatively better.

#### Review-Related Study:

The economic activity growth in Banjar Regency for the period of 2008 – 2009 has increased significantly. In contrary, competitiveness (especially agricultural sector) is relatively low. In fact, this condition has ultimately resulted in several constraints as formulated in the following questions:

- 1) What kinds of factors have made the competitiveness relatively low?
- 2) How is the policy in improving competitiveness formulated?

#### Research Objectives:

This research is aimed to :

- 1) Analyze the factors making competitiveness relatively low.
- 2) To formulate policy in improving competitiveness.

#### Research Method:

The research method used in Environmental Base Line for socio-economic study and area planning applies *Loqation Quotient* Analysis (LQ) and Shift Share Analysis (SSA). In supporting analysis accuracy level, it is necessary to make analysis of economic growth rate within the period of 2-year points and each sector share of

Gross Regional Domestic Product (GRDP) over total Gross Regional Domestic Product (GRDP) provided in the newest data.

This method is applied to aggregately measure economic growth of certain area and to see area activity basis and area development within 2 years. This analysis is mainly aimed to provide measured justification in the purpose of formulating policy configuration for the next 5-year development planning. The following are detail on some analysis methods.

#### *Analysis of Economic Growth Rate:*

Analysis of economic growth rate is carried out as the fundamental to knowing economic growth within 2 years. This analysis is performed by making use of time series data within 2-year points. This will aggregately show economic growth in certain area. By figuring out the economic growth, analysis estimate and future projection concerning economic growth will eventually be brought to raise.

#### *Analysis of Sector Contribution to Gross Regional Domestic Product (GRDP):*

The following analysis is sector share of (GDRP) over total GDRP. This analysis is aimed to acknowledge percentage of certain sector contribution on total GDRP. This analysis is conducted to see synergism between growth rate and contribution of certain sector to GDRP. This analysis will be capable of disclosing the phenomena of GDRP configuration which may be different between growth rate and GDRP contribution. In other word, the rate of economic growth in certain sector may have considerable growth, but with relatively low contribution of related sector to GDRP. Or, in contrary, the rate of economic growth in certain sector may have deceleration but with considerably high contribution to GDRP. For the sector with great contribution to GDRP, severe influence will bring impact in economic activities.

#### *Analysis of Comparative Superiority of Area (Loqation Quotient Analysis):*

This analysis is aimed to compare certain sector share in an area with total activities of area within unit of area being analyzed. Further, the assumption used will be that geographic condition in sub area is uniform, and so are various patterns of activities are uniform (Warpani and Suwardjoko, 1980).

In addition, this analysis is also conducted to know the basis of activity in certain area and activities which are not relatively dominant in respective area. By knowing the basis of activities, justification can be made that the region is considered having comparative superiority in accordance with certain sector. One of the measures in knowing the basis of activities will be to analyze total GDRP in certain area by comparing it with another.

Knowing the basis or comparative superiority in certain area, the more efficient and effective policy formulation will finally be achieved. In formulating the policy, the priority will greatly be focused on the sector which becomes the basis in certain area. This sector greatly requires development in order to improve added value. The basis of activities in certain area can also serve as differing factor from another region with the basis of activities in certain sector.

#### *Analysis of Area Competitiveness (Shift Share Analysis):*

Shift-share analysis refers to analysis technique in frame of comprehending the shift of activity structure in certain location in a couple of period points. This analysis is aimed to know competition rate in certain sector. In addition, this is also to examine basis relationship or comparative security with competitive value contained in certain sector. It obviously indicates that this analysis can measure whether comparative superiority has high competitiveness or rather the superiority has no competitiveness or the sector has low competitiveness in spite of having comparative superiority (Soepono and Prasetyo, 1993).

Furthermore, this analysis is worthy of measuring how area development resulting caused by comparative superiority, by activity development of certain sector resulting from certain factor or by dynamics of area development in general.

## **Result and discussion**

#### *Analysis of Economic Growth Rate:*

In general, economic activity in Banjar Regency mostly relies on agricultural activity. Agriculture is the basis of economic activity in Banjar Regency. Another supporting activities and currently developing include trading, service, and rental. These activities have significant shift. Housing activity is also growing especially in

the region near to city or urban area. The composition of GDRP of several sectors in Banjar Regency is provided below (Badan Pusat Statistik Kabupaten Banjar, 2010).

**Table 1:** The composition of GDRP of several sectors in Banjar Regency (IDR in million).

Sector	2008	2009	% laju pertumbuhan
Agriculture	823,418,003	879,102,603	6.76
Mining and Excavation	542,510,156	569,813,577	5.03
Processing Industry	192,616,581	209,678,940	8.86
Electricity, Gas and Clean Water	18,748,495	19,442,116	3.70
Building and Construction	177,605,586	192,446,744	8.36
Trading, hotel and restaurant	683,368,991	754,454,557	10.40
Transportation and communication	149,558,563	153,961,981	2.94
Financial, Rental, and Company Service	132,858,641	144,536,164	8.79
Services	286,898,719	309,918,011	8.02
Sum	3,007,583,735	3,233,354,693	7.51

With reference to the analysis, the rate of growth per sector indicates that service activity in Banjar Regency is now growing. The growth of service activity is the most significant one of nine sectors. The growth of service activity indicates that diversification of economic activity is commencing to develop. Hotel and restaurant as well as trading are greatly influenced by tourist's visit, investment and commencing opportunity of economic activity.

#### *Contribution Structure of Sector / Economic Activity:*

Economic activity structure depicts contribution of each activity to economic progress. Economic activity which gives high turnover to GDRP is the one which has strong influence on the economic circulation in certain region or area. This activity is also the basis or potential of regional economy. Economic activity structure in Banjar Regency is basically dominated by agricultural activity. For more information, learn the following table, showing Banjar Regency's Economic Structure in 2009 (Table 2).

**Table 2:** Banjar Regency's Economic Structure in 2009.

Sector	2009	% Ekonomc Structure
Agriculture	879,102,603	27.19
Mining and Excavation	569,813,577	17.62
Processing Industry	209,678,940	6.48
Electricity, Gas and Clean Water	19,442,116	0.60
Building and Construction	192,446,744	5.95
Trading, hotel and restaurant	754,454,557	23.33
Transportation and communication	153,961,981	4.76
Financial, Rental, and Company Service	144,536,164	4.47
Services	309,918,011	9.59
Jumlah	3,233,354,693	100.00

Based on the aforementioned analysis, it indicates that agricultural activity contribution to GDRP is the highest one, and then followed with trading, hotel and restaurant. The above analysis result also shows that Banjar Regency is still dominated by agricultural activity. However, hotel, trading and restaurant activities have developed by seeing the respective sector contribution.

#### *Area Economic Potential:*

Regional economic growth is greatly influenced by the basis and potential of area resources. Consciously, the basis / potential in certain area will shift society to benefit as maximum potential as possible in respective area. In general, the basis of resource in Banjar Regency is dominated by agricultural activity. This agricultural activity includes palm and rubber estate, horticultural agriculture, including orange, mango, rambutans, duku as well as staple food of paddy.

Other activities which are potential in other regions include mining activity, processing industry, trading, electricity, service and rental. Activity potential may be the result of considerable natural resources in the region, main livelihood of the area, or gradually but continuously developing activity. However, the shift also takes place in the region which previously became the basis / potential of certain activity. Certain activity may shift due to area condition of activity with rapid development, thus making the activity more dominant than the original activity. The following is analysis result of activity based on constant GRDP 2009 based on 2000 which is hereinafter provided in form of Table 3 (Badan Pusat Statistik Kabupaten Banjar, 2009).

The aforementioned analysis result illustrates the configuration of economic activity in various regions. It obviously indicates that there are several regions whose economic activity is concentrated. On the other hand, in other regions, the economic activity has relatively small share if compared with total activities in the area. For more information, the following is detail of each activity in several regions.

**Table 3:** Table analysis result of activity based on constant GRDP 2009 based on 2000.

District	X <sub>1</sub>	X <sub>2</sub>	X <sub>3</sub>	X <sub>4</sub>	X <sub>5</sub>	X <sub>6</sub>	X <sub>7</sub>	X <sub>8</sub>	X <sub>9</sub>
Sungai Pinang	0.88	2.40	0.21	0.55	0.25	0.95	0.20	0.59	0.48
Simpang 4	0.98	2.19	0.10	0.59	0.21	0.90	0.78	0.55	0.53
Mataraman	1.32	0.62	2.07	0.81	0.39	0.85	1.35	0.81	0.78
Martapura	0.27	0.14	1.53	1.42	2.84	1.43	1.80	1.47	1.45
Gambut	1.30	0.02	1.04	1.16	1.30	1.15	1.48	1.09	1.14
S Tabuk	1.13	0.18	2.06	1.49	1.03	1.02	0.55	1.38	1.41
K. Intan	1.02	2.04	0.51	0.69	0.62	0.76	0.36	0.65	0.65
Astambul	1.26	0.33	1.18	1.25	1.06	0.98	1.27	1.20	1.18
Baruntung Baru	2.14	0.05	0.32	0.91	0.73	0.89	0.46	0.87	0.85
Martapura Timur	0.54	0.28	4.46	1.29	1.61	0.83	1.09	1.17	1.16
Martapura Barat	1.51	0.31	1.25	1.25	0.75	0.91	0.70	1.12	1.15
Aranio	0.96	2.50	0.14	0.39	0.24	0.86	0.31	0.38	0.38
Aluh-Aluh	1.42	0.16	0.37	1.08	1.02	0.99	0.51	1.69	1.70
Hanyar&makmur	0.96	0.02	0.84	1.52	1.04	1.23	2.25	1.43	1.59
Paramasan	0.87	2.64	0.03	0.46	0.31	0.86	0.23	0.41	0.42
Pengaron	0.86	1.76	0.28	0.90	0.65	0.91	1.30	0.80	0.82
Sambung Makmur	0.93	1.99	0.14	0.66	0.84	0.79	1.04	0.69	0.66

*Note:*

- |   |   |
|---|---|
| X <sub>1</sub> : Agriculture                            | X <sub>5</sub> : Building and Construction        |
| X <sub>2</sub> : Mining and Excavation                  | X <sub>6</sub> : Trading, hotel and restaurant    |
| X <sub>3</sub> : Processing Industry                    | X <sub>7</sub> : Transportation and communication |
| X <sub>4</sub> : Electricity, Gas and Clean Water       | X <sub>9</sub> : Services                         |
| X <sub>8</sub> : Financial, Rental, and Company Service |   |

Agricultural activity potential → in agricultural activity, activity concentration takes place in several regions, including the Districts of Mataraman, Gambut, Sungai Tabuk, Karang Intan, Astambul, Baruntung Baru, Martapura Barat and Aluh-aluh. Meanwhile, in Simpang Empat District, agricultural activity is relatively spreading. Those eight districts are highly prominent in term of agricultural activity if compared with that in other regions.

Mining and Excavation Activity Potential → Concerning mining and excavation activity, Simpang Empat region is the basis of mining activity. The activities in this region are mining and excavation. This activity is not only dominant but also very dominant if compared with another sector in Simpang Empat District. The contribution of this activity to labor is estimated very high since other activities are not quite significant or other sectors are relatively smaller than mining activity.

The potential of processing industrial activity → The development and concentration of this activity seem to show significant increase in several region directly adjacent to the city. They are the Districts of Mataraman, Martapura, Gambut, Sungai Tabuk, Astambul, Martapura Timur and Martapura Barat. Accessibility consideration and simplicity to obtain raw material and marketing have brought the activity to the faster growth if existing in the region adjacent to the city.

Electricity, Gas and Clean Water Activities Potential → These activities are almost similar to processing industry. Electric and clean water services are completely concentrated in urban regions. These activities are concentrated in the districts of Martapura, Gambut, Sungai Tabuk, Astambul, Martapura Timur, Martapura Barat and Aluh-aluh. Thus, it can be assured that services center, business, and service are centered in the city. The electric and water facility provision should also take into rural condition. Rural region is the region which serves as raw material supplier. Therefore, energy need in village is as important as the need in city. Raw material processing has been the derivative industry which highly requires energy. Similarly, clean water provision should also consider the condition in village. Population in most village is greater than that in city. In other word, clean water need in rural region is very high.

Building and Construction Activity Potential → Building activity is concentrated on the districts of Martapura, Gambut, Sungai Tabuk, Astambul, Martapura Timur, Aluh-aluh and Hanyar Makmur (the last district to have territorial reform). Building activity is relatively spreading in the region near to city. It seems city urban attractiveness still has strong influence on building activity of various infrastructures.

Trading, hotel and restaurant activity potential → These activities are concentrated in four districts in Banjar Regency. Those districts are Mataraman, Martapura, Gambut and Hanyar Makmur. The development of these activities is influenced by some factors: (1) region as the connector among international airports, city of Banjar; (2) Banjar Regency where trading activity develops, The region which becomes the center of capital where hotel industry develops and (3) restaurant activity which grows in the four regions. The development of these activities is also influenced by accessibility, people purchasing ability and economic activity development.

Transportation and communication activity potential → The regions recommended in this research and become the concentration of trading and communication activities are the districts of Mataraman, Martapura, Gambut, Astambul, Martapura Timur and Hanyar Makmur. The development of these activities is greatly dominated in the connecting area among the cities and regions adjacent to the cities. The basis of these activities seems to be influenced by good road accessibility and road availability to connection one region to another. On the other hand, communication utilization seems to be different from city, but it has spread although the utilization exists mostly in city.

Financial, Rental, and Company Service Activity Potential → Some regions with concentration of these activity include the districts of Martapura, Sungai Tabuk, Gambut, Sungai Tabuk, Astambul, Martapura Timur, Martapura Barat, Aluh-Aluh, and Hanyar Makmur. The districts of Martapura and Hanyar Makmur are ones with the biggest concentration if compared with another region. The position of Martapura as capital has been the contributing factor for the dominance of these activities in the region.

Service Activity Potential → The concentration of the activity falls within the districts of Martapura, Sungai Tabuk, Gambut, Sungai Tabuk, Astambul, Martapura Timur, Martapura Barat, Aluh-Aluh, and Hanyar Makmur. The development of this activity is strongly influenced by economic activity development in the area. The service activity will grow if certain different activity could completely be served by the government. The biggest activity concentration in this area exists in the Districts of Martapura and Aluh-Aluh. The position of Martapura as capital has been the contributing factor for the development of this activity in the region.

#### *Competitiveness of Area Economic Potential:*

Competitiveness analysis is aimed to know whether or not there is activity movement in certain area and how strong the activity competition on economic development, in order to strengthen analysis justification which is very necessary for information of economic basis and economic potential previously analyzed. The following is analysis result obtained to see the competitiveness of area economic potential in each region in Banjar Regency (Badan Pusat Statistik Kabupaten Banjar, 2009).

**Table 4:** The competitiveness of area economic potential in each region in Banjar Regency.

District	X <sub>1</sub>	X <sub>2</sub>	X <sub>3</sub>	X <sub>4</sub>	X <sub>5</sub>	X <sub>6</sub>	X <sub>7</sub>	X <sub>8</sub>	X <sub>9</sub>
Sungai Pinang	-0.25	0.14	-0.21	-0.20	0.12	0.01	-0.38	0.03	-0.12
Simpan 4	-0.27	0.16	-0.25	-0.14	0.01	0.04	-0.24	0.17	-0.03
Mataraman	0.02	0.11	-0.09	-0.09	0.34	0.04	-0.36	0.17	-0.03
Martapura	-0.09	-0.22	-0.16	0.05	0.09	0.07	-0.20	0.20	-0.04
Gambut	-0.07	0.05	-0.07	-0.02	0.21	0.04	-0.21	0.31	0.06
S Tabuk	-0.06	-0.12	-0.16	-0.00	0.19	0.04	-0.22	0.31	0.08
K. Intan	-0.03	-0.02	-0.12	-0.06	0.32	0.01	-0.14	0.25	0.02
Astambul	-0.08	0.05	-0.07	-0.01	0.14	0.04	-0.20	0.26	0.07
Baruntung Baru	-0.06	-0.09	-0.09	0.00	0.41	0.05	-0.20	0.28	0.08
Martapura Timur	-0.01	-0.09	-0.11	-0.02	0.16	0.02	-0.18	0.33	0.08
Martapura Barat	-0.13	-0.01	-0.02	0.09	0.37	0.05	-0.02	0.43	0.17
Aranio	-0.31	0.17	-0.41	-0.21	0.16	0.03	-0.34	0.09	-0.14
Aluh-Aluh	-0.08	-0.14	-0.09	-0.00	0.19	0.05	-0.25	0.29	0.08
Hanyar&makmur	-0.09	0.03	-0.18	0.00	0.15	0.06	-0.19	0.31	0.09
Paramasan	-0.41	0.19	-0.22	-0.29	0.53	0.04	-0.40	0.06	-0.21
Pengaron	-0.29	0.28	-0.3	-0.19	0.02	0.03	-0.38	0.14	-0.11
Sambung Makmur	-0.09	0.19	-0.45	-0.37	-0.13	0.06	-0.53	-0.13	-0.31

*Note :*

X<sub>1</sub> : Agriculture

X<sub>2</sub> : Mining and Excavation

X<sub>3</sub> : Processing Industry

X<sub>4</sub> : Electricity, Gas and Clean Water

X<sub>8</sub> : Financial, Rental, and Company Service

X<sub>5</sub> : Building and Construction

X<sub>6</sub> : Trading, hotel and restaurant

X<sub>7</sub> : Transportation and communication

X<sub>9</sub> : Services

With reference to the aforementioned analysis result, it obviously shows that the competitiveness of agricultural activity is very low; moreover all regions which become the basis of activity do not have any significant competitiveness. In other word, it indicates any economic movement of another activity thus resulting in agricultural activity failing to have competitiveness. The competitiveness of this activity is exactly in the region which is not the basis or the center of agricultural activity production. The region is Martapura District. People say, due to access consideration, additional value of agricultural activity has brought the raise of significant development in this region. Poor competitiveness is also caused by diversification of relatively low price and offering value of the product.

It is highly contrasted with mining and excavation activity. This activity receives relatively well-distributed competitiveness in the region which becomes the basis of the activity, in spite of the fact that some regions have low competitiveness, i.e., Karang Intan District. The development of this activity indicates that massive additional exploitation has taken place in the region which becomes the basis of the activity. In addition, the value of this product owns greater competitiveness if compared with agricultural one. However, it should be noted that this activity will not last for any longer period. In the event that mine mass runs out, then this activity will have no capability in bringing economic influences, rather leaving new problems of environment and poverty.

The very low competitiveness is also indicated in processing industrial activity. Moreover, this activity does not own competitiveness in all districts in Banjar Regency. This activity has very strong shift in the region which becomes the basis of economic activity. It is strongly estimated that the activity grows more significantly in big-scale economy. Meanwhile, the industry which can support economic basis/potential is not taken into greater consideration. It means agricultural product processing industry has not achieved significant development in the region.

The development of electric and clean water continuously remains in urban regions and those adjacent to the city. Some regions with good competitiveness include the districts of Martapura and Martapura Barat. Martapura is the capital of regency and Martapura Barat district is the territorial reform of Martapura. The development of power and water supply is more significant if compared with that in another region. In some regions, the satisfaction of clean water supply has not well developed. It also happens in power facility supply which has not been sufficiently met.

Infrastructure construction in some region in Banjar Regency has relatively considerable competitiveness. The government is now focusing on infrastructure development in order to simplify various service activity and economic activity. The relatively growing infrastructure construction will be government facility, bridge and shopping center as well as health and educational facility.

On the other hand, trading, hotel and restaurant activity has positive competitiveness in all districts. Small-scaled trading activity development has allocated considerable portion in economic activity development. Meanwhile, hotel and restaurant activity is greatly developing in city center of Banjar Regency.

In contrary, transportation and communication activities have not brought about relatively good competitiveness if compared with another activity. The development of these activities is relatively low since the facility to connect among regions is relatively insufficient. The transportation of various kinds of products mostly applies marine transportation due to cost and distance consideration. Meanwhile, the communication activity has relatively low development. Although communication network in several regions has been installed, people's interest to use the network is very low. In fact, cost has caused people less interested in using telecommunication.

Financial, rental and company service activities generally have good competitiveness. The activities such as banking, saving and loan and different kinds of financial activities, have developed in all regions. People's interest to save their capital in bank is getting necessary. This financial activity development also serves as basis to offer small-scaled credit for the farmer in facilitating farming business. Service activity in most regions in Banjar Regency has relatively significant competitiveness. Service, such as entertainment and recreation, has developed in the region. The development of this activity frequently occurs in line with the increased development of financial activity.

#### *Policy Formulation:*

The appropriate formulation of government policy in encouraging competitiveness of economic activity is performed by improving product value through technology-based approach and product value improvement (in perspective of price). Furthermore, the policy formulation is made in form of regulation which is binding in nature and owns legal consequence in frame of assuring the agricultural product.

*Conclusion and Suggestion:**Conclusion:*

1. Low competitiveness is caused by low product diversification; meanwhile, relatively high competitiveness in mining activity is predicted to be the result of relatively massive mining exploitation.
2. Government policy formulation is intended to improve competitiveness by means of technological development and product value increase particularly agriculture.

*Suggestion:*

1. It is important to conduct careful analysis in disclosing the correlation of derivative industry of 9 economic sectors.
2. Input-output analysis is favorably be made.

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