

**ANALYSIS OF LEADING SECTORS ON REGIONAL ECONOMIC  
GROWTH IN BATANG REGENCY FOR THE PERIOD 2016–2024**



**THESIS**

**SUBMITTED TO THE FACULTY OF ISLAMIC ECONOMIC AND  
BUSINESS SUNAN KALIJAGA STATE ISLAMIC UNIVERSITY  
YOGYAKARTA AS ONE OF THE REQUIREMENTS FOR OBTAINING  
A BACHELOR'S DEGREE IN ISLAMIC ECONOMIC**

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YOGYAKARTA**

**2025**

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With this, I hope that the thesis mentioned above can be submitted soon, I thank you for your attention.

Wassalamualaikum wr. Wb

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## **MOTTO**

“You’re always one decision away from a  
completely different life”

**(Maudy Ayunda)**

“The best ones lost their minds”

**(Lana Del Rey)**



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## DEDICATION PAGE

بِسْمِ اللَّهِ الرَّحْمَنِ الرَّحِيمِ

By the grace and mercy of Allah SWT, the Most Compassionate, and through His blessings and guidance, this final project has been successfully completed.

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## TRANSLITERATION GUIDELINES

The transliteration of Arabic terms used in the preparation of this thesis is based on the Joint Decree of the Minister of Religious Affairs and the Minister of Education and Culture of the Republic of Indonesia Number: 158/1987 dan 0543b/U/1987

### A. Single Consonants

Arabic Letters	Name	Latin Letters	Description
أ	Alif	not denoted	not denoted
ب	Ba	B	Be
ت	Ta	T	Te
ث	Ša	š	es (dot above)
ج	Jim	J	Je
ح	Ḥa	ḥ	ha (dot below)
خ	Kha	Kh	ka dan ha
د	Dal	d	De
ذ	Žal	ž	Zet (dot above)
ز	Ra	r	er
س	Zai	z	zet
س	Sin	s	es
ش	Syin	sy	es dan ye
ص	Šad	š	es (dot below)
ض	Ḍad	ḍ	de (dot below)
ط	Ṭa	ṭ	te (dot below)
ظ	Ẓa	ẓ	zet (d dot below)
ع	`ain	`	Inverted commas above
غ	Gain	g	ge



ف	Fa	f	ef
ق	Qaf	q	ki
ك	Kaf	k	Ka
ل	Lam	l	El
م	Mim	m	Em
ن	Nun	n	En
و	Wau	W	We
هـ	Ha	h	Ha
ء	Hamzah	„	apostrof
ي	Ya	y	Ye

#### B. Double consonants because Syaddah is written in duplicate

مُتَعَدِّدًا	Written	<i>Muta''addidah</i>
عِدَّة	Written	<i>„Iddah</i>

#### C. Single consonant

All *ta' marbūṭah* are written with 'h', whether they appear in a standalone word or in the middle of a compound word (a word followed by the definite article 'al'). This rule does not apply to Arabic words that have already been absorbed into the Indonesian language, such as *shalat*, *zakat*, and the like, except when the original form is intended.

حِكْمَةٌ	Written	<i>Hikmah</i>
عِلَّةٌ	Written	<i>„illah</i>
كَرَامَةُ الْأَوْلِيَاءِ	Written	<i>Karamah al auliya''</i>

#### D. Short Vowels and their Application

اَ	Fathah	Written	A
اِ	Kasrah	Written	I
اُ	Dammah	Written	U
فَاف	Fathah	Written	<i>Fa''ala</i>
زَكَس	Kasrah	Written	<i>Zukira</i>
يَزَه	Dammah	Written	<i>Yazhabu</i>

#### E. Long Vowels

fathah + alif	Written	A
جَاهِلِيَّةُ	Written	<i>Jahiliyyah</i>
fathah + ya'' mati	Written	A
تَانَسِي	Written	<i>Tansa</i>
kasrah + ya'' mati	Written	I
كَارِمِي	Written	<i>Karim</i>
dhammah + wawu mati	Written	U
فُورُودُ	Written	<i>Furud</i>

#### F. Double Vowels

fathah + ya'' mati	Written	<i>Ai</i>
بَيْنَاكُمُ	Written	<i>Bainakum</i>
fathah + wawu mati	Written	<i>Au</i>
قَوْلُ	Written	<i>Qaul</i>

**G. Short vowels that are consecutive in one word are separated by an apostrophe.**

أنت	Written	<i>A''antum</i>
أعدت	Written	<i>U''iddat</i>
لا ينكح نسبه	Written	<i>La''in syakartum</i>

**H. Article Alif + Lam**

1. If followed by the letter qamariyyah, it is written using the initial letter "al"

القرآن	Written	<i>Al-Quran</i>
القياس	Written	<i>Al-Qiyas</i>

2. If followed by a Syamsiyyah letter, it is written according to the first Syamsiyyah letter.

السماء	Written	<i>As-sama''</i>
الشمس	Written	<i>Asy-syams</i>

**I. Writing Words in Sentences**

زوي النفسوض	Written	<i>Zawi al-furud</i>
أهل السنة	Written	<i>Ahl as-sunnah</i>

## PREFACE

All praise and gratitude are due to Allah SWT for His abundant grace and mercy, which have enabled the author to complete this final project titled “**Analysis of Leading Sectors on Regional Economic Growth in Batang Regency for the Period 2016 – 2024**” Blessings and peace be upon the Prophet Muhammad SAW, who serves as a role model for humanity and, with his sincerity and guidance, has led us from the era of ignorance to the era of Islam.

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The author acknowledges that this final project still has its shortcomings. However, the author hopes that this work can be beneficial to those in need. Gratitude is extended to all parties who have assisted and supported the process of preparing this final project.

Yogyakarta, 12 August 2025



Musyarofah

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## ABSTRAK

Penelitian ini dilatarbelakangi oleh perubahan struktur ekonomi Kabupaten Batang yang mengalami pergeseran dari sektor pertanian menuju industri dan jasa. Tujuan penelitian adalah menganalisis sektor unggulan yang berkontribusi terhadap pertumbuhan ekonomi wilayah periode 2016–2024. Metode yang digunakan meliputi analisis Location Quotient (LQ), Shift Share, MRP, dan Overlay dengan data sekunder PDRB. Hasil penelitian menunjukkan sektor industri, jasa, dan pertambangan memiliki peran dominan, sedangkan pertanian mengalami penurunan daya saing. Kesimpulannya, pengembangan ekonomi Batang perlu diarahkan pada sektor unggulan dengan tetap memperhatikan revitalisasi pertanian.

**Kata Kunci:** sektor unggulan, pertumbuhan ekonomi, LQ, Shift Share, MRP, Overlay.



## ABSTRACT

*This research is motivated by the economic transformation of Batang Regency, which has shifted from an agriculture-based economy toward industry and services. The study aims to analyze leading sectors that contribute to regional economic growth during the 2016–2024 period. The methods employed include Location Quotient (LQ), Shift Share, MRP, and Overlay analysis using secondary GRDP data. The results indicate that industry, services, and mining sectors play a dominant role, while agriculture shows a declining competitiveness. In conclusion, Batang's economic development should focus on strengthening leading sectors while maintaining revitalization of the agricultural sector.*

*Keywords: leading sectors, economic growth, LQ, Shift Share, MRP, Overlay.*



## **CHAPTER I INTRODUCTION**

### **A. Research Background**

Economic growth is the increase in the capacity of an economy to produce goods and services over a certain period, which is usually measured through indicators such as Gross Regional Domestic Product (GRDP) or Gross Domestic Product (GDP) at constant prices. Sustainable economic growth reflects a healthy economic condition and serves as an important indicator in assessing the level of welfare of a region's population (Todaro & Smith, 2020). The analysis of inclusive economic growth shows that improving productivity across sectors, particularly in sectors with significant potential to create employment opportunities, is crucial to achieving sustainable growth (Hartati, 2021).

The agricultural sector plays an important role in driving economic growth, especially in regions with an agrarian-based economy. This sector is capable of absorbing a large labor force and serves as the main source of livelihood in rural areas, making its contribution to economic growth indispensable (Srihidayati, 2022). This indicates a strong interrelation between strategic sectors and aggregate economic growth.

The identification of leading sectors in a region is crucial in formulating regional economic development strategies. Properly managed leading sectors are not only capable of enhancing economic growth but also of strengthening the local economic structure through multiplier effects (Asyafina &

Muljaningsih, 2022). A development approach based on leading sectors can serve as an effective strategy to accelerate inclusive and sustainable economic growth, as these sectors have the potential to significantly influence job creation and improve community income.

Leading sectors are identified through various analytical approaches such as Location Quotient (LQ), Shift Share Analysis, and Dynamic Location Quotient (DLQ), which aim to examine the comparative advantages and relative growth of economic sectors within a region (Tarigan, 2005; Wijaya & Mulyani, 2020). Research conducted by Haryanto and Wibowo (2021) demonstrates that optimally developed leading sectors can become the main drivers of economic growth, not only in terms of their contribution to GRDP but also in creating added value and expanding employment opportunities.

A comprehensive understanding of the characteristics and dynamics of leading sectors is essential in the context of formulating adaptive and sustainable economic development policies. In an era of globalization and rapid economic change, a development strategy based on leading sectors enables local governments to respond to external challenges with more flexible and evidence-based policies (Rosdiana & Irianto, 2019). This is in line with the principles of sustainable development, which emphasize the importance of equitable distribution of the outcomes of economic growth as well as the strengthening of local economic structures.

Thus, the identification and development of leading sectors is not only a tool to improve regional economic performance but also serves as the

foundation for long-term, inclusive, and equitable economic development. This study aims to identify which sectors hold significant potential to contribute to the creation of new employment opportunities and the strengthening of local economic competitiveness, as well as to provide practical recommendations for local governments and stakeholders in designing more effective and sustainable economic policies.

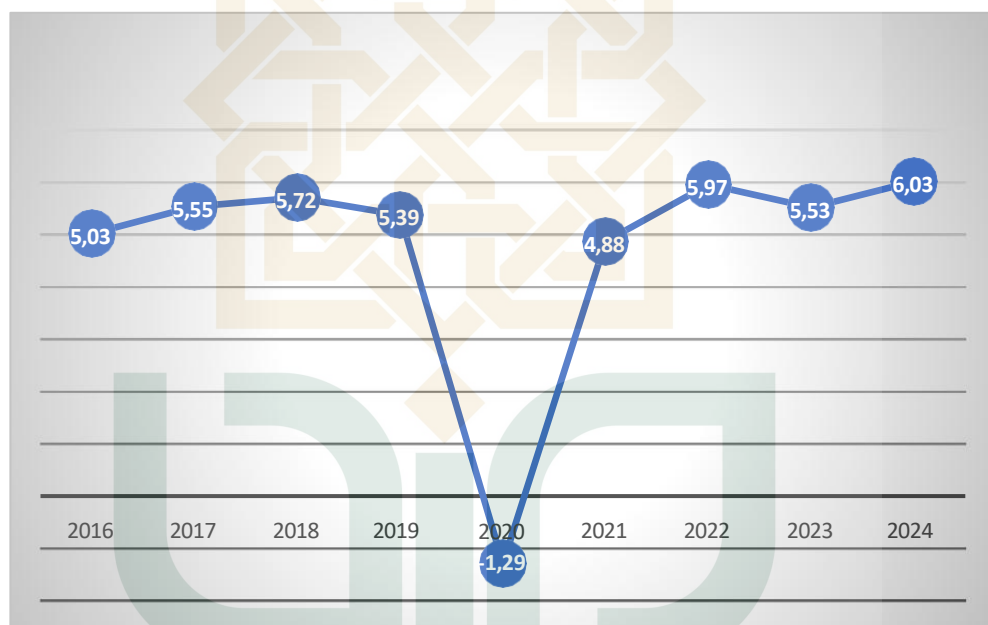


Figure1.1 Economic Growth Rate of Batang Regency in 2016–2024

Source: BPS Batang Regency (2024), processed

Batang Regency was selected as the research location because it represents complex economic dynamics and supports the implementation of policies based on leading sectors. By gaining a better understanding of these leading sectors, the study was conducted in Batang Regency, Central Java, as a strategically chosen location considering its important role in the regional economy and its potential to become a new growth center in the area during the

2016–2024 period. Batang is one of the regencies in Central Java with a total area of 788.65 square kilometers. Gross Regional Domestic Product (GRDP) data provides a comprehensive overview of economic activities to identify leading sectors using the Location Quotient (LQ) and Shift Share methods, which have been proven effective (Hamzah, 2020). A study on regional leading potential in the field of Small and Medium Industries (SMI) by the research team of Diponegoro University (2016) confirmed that Batang Regency has strong potential in SMIs, supported by natural resources, industrial diversity, and adequate infrastructure.

The economic growth rate of Batang Regency from 2016 to 2024 demonstrates dynamic patterns with fluctuations but also reveals a significant economic transformation from the agricultural sector to the industrial sector. From 2016 to 2019, economic growth remained relatively stable with a positive trend, starting at 5.03% in 2016, increasing to 5.55% in 2017, peaking at 5.72% in 2018, and slightly declining to 5.39% in 2019. However, in 2020, the region experienced a sharp economic contraction with a negative growth rate of -1.29%, largely due to the impact of the COVID-19 pandemic, which disrupted economic activities across various sectors. By 2021, conditions began to recover with a growth rate of 4.88%, marking the beginning of a recovery phase that continued into 2022 with 5.97% growth, although it slightly decreased again in 2023 to 5.53%. This transformation was reinforced by impressive economic performance in the third quarter of 2024, reaching 6.06%, surpassing Indonesia's national economic growth of 5.05% in 2023 and 5.08% in 2024.



The shift from agriculture to industry brings development policy challenges that must be adjusted to current conditions, particularly considering the momentum of post-pandemic recovery, which successfully pushed the regional economy toward a more positive and stable trajectory. Triananda (2022) revealed that although Batang Regency has a strategic location, the local economy still faces challenges, with Local Own-Source Revenue ranking 29th and GRDP needing improvement through the implementation of integrated industrial estate management policies. The development of the Batang Integrated Industrial Estate (KIT), which began to show results in the first semester of 2024 with infrastructure support from the Ministry of Public Works and Housing, reflects the government's commitment to regional economic transformation. The main challenge is to optimize the contribution of the industrial sector while maintaining productivity in agriculture, as the Agriculture, Forestry, and Fishing sector still recorded the highest growth nationally, reaching 10.52 percent. A development strategy that integrates both sectors through agro-industry development can encourage inclusive and sustainable economic growth, in line with the positive momentum reflected in the consistent upward trend from 4.88% in 2021 to 6.06% in the third quarter of 2024.

## **B. Research Scope**

In this study, to maintain focus and avoid deviation from the topic discussed, the researcher limits the analysis to leading economic sectors that may contribute to economic growth in Batang Regency. The approach used is

the analysis of GRDP (Gross Regional Domestic Product) at constant prices from 2016 to 2024.

### **C. Research Question Masalah Penelitian**

Based on the research background that has been explained, the problem is formulated as follows: Which economic sectors can be identified as leading sectors to drive economic development in Batang Regency?

### **D. Research Objectives**

In accordance with the problem formulation presented above, the objective of this study is to determine which economic sectors can be considered leading sectors in Batang Regency to drive economic development, using four approaches: LQ, Shift Share, MRP, and Overlay.

### **E. Significance of the Research**

The results of this study are expected to provide the following benefits:

1. This research is expected to serve as a reference for the government and relevant stakeholders in exploring the potential of leading sectors in Batang Regency, as well as a consideration in formulating policies to enhance economic growth in the region.
2. Through this research, the community is expected to gain an understanding of the economic growth of Batang Regency over the years and to recognize the leading and base sectors in the region.
3. For the researcher, the results of this study can serve as a medium to apply and implement the knowledge acquired during academic studies.
4. For future researchers, this study is expected to provide additional

information in the form of insights and contributions useful for encouraging further, more comprehensive research.



## **CHAPTER V CLOSING**

### **A. Conclusion**

The economy of Batang Regency during the period of 2016–2024 has shown a significant shift from an agricultural base towards a more diversified economic structure. By 2024, the economic structure is dominated by the industrial sector at 42.78%, followed by services at 35.54%, and agriculture at 21.67%. This shift marks a transition towards a more modern economy that is increasingly oriented towards industry and services.

From the perspective of comparative advantage, the water supply sector holds the highest position with a Location Quotient (LQ) of 1.70, while the agricultural sector remains a foundation despite experiencing a downward trend (LQ 1.48). The mining and excavation sector has also shown positive development, with its LQ increasing from 1.06 to 1.35 throughout the analysis period. However, the processing industry sector remains below one (0.98), indicating a need for strengthening competitiveness.

The year 2024 is a major anniversary, with economic growth reaching 6.06 percent, driven by the operation of the Integrated Industrial Zone (KIT) Batang, which is expected to be the main driver of the region's economic transformation. Nevertheless, challenges remain, particularly in revitalizing agriculture and strengthening the processing industry. Moving forward, the key to success for Batang Regency lies in creating synergy among the primary, secondary, and tertiary sectors to establish a balanced, sustainable economic

structure that can position Batang as a new growth center in Central Java.

## **B. Suggestions**

The Batang Regency Government is advised to prioritize the development of key sectors with significant contributions, such as mining, water supply, construction, and the processing industry, through the strengthening of infrastructure, investment incentives, and training for the local workforce. At the same time, rapidly growing sectors that still have a small contribution, such as transportation, information technology, and healthcare services, need to be supported by the development of a digital ecosystem and improvements in the logistics system. Meanwhile, traditional sectors such as agriculture and education must continue to be revitalized through technology modernization, land protection, and the enhancement of facilities and infrastructure to sustainably support the local economy.

## **C. Limitations**

This study has limitations regarding the data period, which only covers 2016–2024, and it does not assess the direct impact on community welfare. Additionally, it employs a macro quantitative method that may not fully capture field conditions. Therefore, future research is recommended to adopt a mixed-methods approach, combining both quantitative and qualitative methods, to provide more comprehensive and applicable analysis for regional development planning.

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