

Research Article

Contribution of the Agricultural Sector and Manufacturing to the Regional Original Income of Trenggalek Regency

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ARTICLE INFO

Article history

Received August 5, 2021

Revised February 23, 2022

Accepted October 29, 2022

Published October 31, 2022

Keywords

Agricultural sector GDRP

Processing industry GDRP

ROI

ABSTRACT

Countries in the world certainly need economic development, one of which is Indonesia. The Indonesian Government needs to improve the people's standard of living and welfare. Regional Original Income can be used to find out how big the contribution of the economic sector is by comparing the Gross Regional Domestic Product (GRDP) generated from each sector. This study aims at describing the contribution of the GRDP of the agricultural and the manufacturing sector to the *ROI* of Trenggalek Regency. This study uses quantitative methods. The data used is secondary data in the form of time series from 2012 to 2018. The data analysis used is descriptive to determine the percentage of contribution. The results showed that the average contribution of the agricultural sector and the manufacturing industry in 2012-2018 was 2.988% and 1.403%, respectively, so it is concluded that their contribution was far lower from the *ROI*. Based on the results of research, the increase in *ROI* is a lot higher than GRDP from 2012 to 2018, and therefore the percentage of contribution is insignificant, and the two sectors have no effect on *ROI* in Trenggalek Regency.

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INTRODUCTION

Countries in the world certainly need economic development. It aims at improving the people's standard of living and welfare. One of the ways that can be done to build the economy is by utilizing the resources owned by the state without exploiting them. Regional Original Income (*ROI*), Law No. 28 of 2009, is a regional financial source extracted from taxes, levies, separated region wealth management, and legitimate regional original income. *ROI* can be used to investigate whether the area is developed or underdeveloped since the various sectors run will contribute to regional income. This income is illustrated in Gross Regional Domestic Product (GRDP). GRDP is the gross added value of all domestic goods and services created or produced within a country's territory, regardless of whether residents or non-residents own the production factors within a certain period (Badan Pusat Statistik Kabupaten Trenggalek, 2020).

Trenggalek Regency was an area in East Java with the third lowest regional income after Pacitan and Situbondo Regencies in 2015-2018 (Badan Pengelola Keuangan dan Aset Daerah Provinsi Jawa Timur, 2018).

Trenggalek Regency was an area in East Java with the third lowest regional income after Pacitan and Situbondo Regencies in 2015-2018. However, the income of Trenggalek Regency continues to increase compared to Pacitan and Situbondo Regencies.

Putri (2019) who has also conducted a similar study on this area concludes that the agricultural sector and *ROI* impact economic growth. The study also concludes that, on the other hand, the road infrastructure and tourism sectors do not impact economic growth significantly. Khoir (2018) explains that the tourism sector's contribution to *ROI* fluctuated despite the annual increase in the tourism sector's income. In contrast, Utiahman (2016) explains that the contribution of Land and Building Tax (*PBB*) revenue from 2011 to 2015 tends to decrease. Prasetyo (2017) states that the forestry sector contributes to *ROI*. Sari (2018) explains that the superior commodities of capture fisheries give the lowest contribution to *ROI*. Some of the studies above have not discussed the influence of the manufacturing industry sector on *ROI*. Therefore, the researcher thinks it is important to discuss this topic, for the agricultural and manufacturing industries are two business sectors in Trenggalek Regency, which have high GRDP (Badan Pusat Statistik Kabupaten Trenggalek, 2018).

Based on the background, the topic of this study is "Contribution of the Agricultural and Manufacturing Sector to the Regional Original Income (*ROI*) of Trenggalek Regency." This study aims at describing the contribution of the GRDP of the agricultural and the manufacturing sector to the *ROI* of Trenggalek Regency.

METHOD

This study was conducted to show the contribution of GRDP from various sectors through various forms of presentation. The data are presented in tables and pictures with a description. Thus, the researcher uses quantitative or numerical data (Subagyo, 2011). The data used in this study is secondary or processed data from 2012 to 2018. The object of this study is Trenggalek Regency because the region is an area in East Java with the third lowest regional income after Pacitan and Situbondo Regencies from 2015 to 2018. The independent variable used in this study is the GRDP of the agricultural and the manufacturing sector, while the dependent variable is the *ROI* of Trenggalek Regency. The data analysis method used is a descriptive test to determine the percentage contribution of the GRDP of the agricultural and the manufacturing sector to the Trenggalek Regency.

RESULTS AND DISCUSSION

The Contribution of Agriculture and Manufacturing

Trenggalek Regency has 17 business sectors, each contributing to its regional income. The following is a classification of each business sector's contribution to *ROI*.

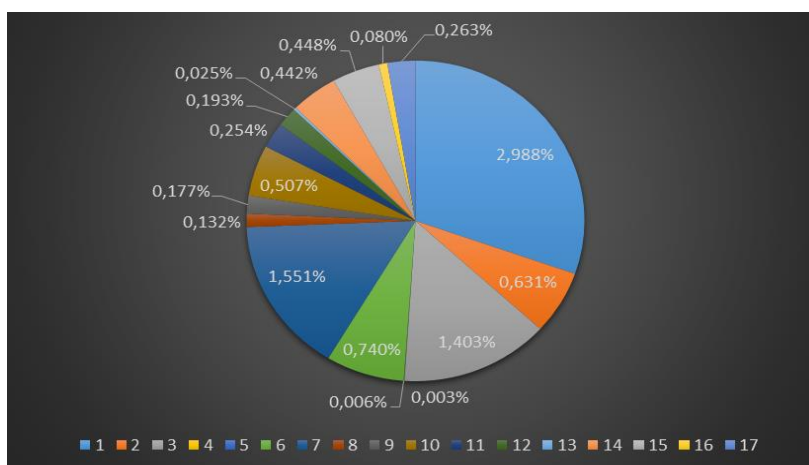


Figure 1. GRDP Contribution Diagram of the Business Sector to Trenggalek Regency's *ROI*
 Source: The Central Bureau of Statistics (BPS) of Trenggalek Regency (2018)

Notes:

1. Agriculture
2. Mining and Quarry
3. Manufacturing
4. Electricity and Gas Supply

5. Water Supply, Waste Management, Waste and Recycling
6. Construction
7. Wholesale and Retail Trade; Car and Motorcycle Repair
8. Transportation and Warehousing
9. Accommodation and Culinary
10. Information and Communication
11. Financial and Insurance Services
12. Real Estate
13. Company Services
14. Government Administration, Defense, and Mandatory Social Security
15. Education Services
16. Health and Social Activities Services
17. Other Services

Diagram 1 shows the largest contribution to GRDP is the agricultural sector, 2.99%. These results indicate that the GRDP of the agricultural sector to the *ROI* of Trenggalek Regency is included in the 'less contributing' category. The second highest contribution percentage is the wholesale and retail trade sector; repair of cars and motorcycles, 1.55 percent, and the third highest contributor is the manufacturing sector, 1.40 percent. Therefore, the two sectors are also included in the 'less contributing' category. The GRDP of the electricity and gas processing sector contributed very lowly, 0.003%, out of the 17 existing business sectors, placing this sector at the bottom of the diagram. Thus, it is included in the 'least contributing' category. The sectors with high incomes fall into this category, such as the GRDP of the agricultural sector, which is higher than other sectors.

It can indicate that the sector with income below the agricultural sector is included in the 'least contributing' category. The problem is that the difference between the GRDP of each sector and the *ROI* of Trenggalek Regency is very high. The *ROI* is not only obtained from the GRDP of the business sector but also from many other economic sectors. This conclusion is in line with Syartika (2018) stating that the contribution made by the tourism sector's income does not have a relative role in the *ROI* of Kerinci Regency.

Contribution of Agriculture GRDP to the *ROI* of Trenggalek Regency

The sector that has the highest GRDP in the business sector is the agricultural sector. The agricultural sector is a business sector widely used for livelihoods because it does not require good theoretical knowledge. It is in line with Faiz (2021) and Hasang (2019) state that working in the agricultural sector does not require special skills, and anyone can do it. The following details are the percentage contribution from 2012 to 2018 GRDP of the agricultural sector to the *ROI* of Trenggalek Regency.

Table 1. Contribution of Agriculture Sector GRDP to the *ROI* of Trenggalek Regency from 2012 to 2018

No	Year	GDRB (Billion, IDR.)	<i>ROI</i> (Billion, IDR.)	Contribution (%)
1	2012	3,000	70,198	4.273
2	2013	3,352	77,799	4.309
3	2014	3,829	132,951	2.880
4	2015	4,284	155,254	2.759
5	2016	4,612	182,174	2.531
6	2017	4,813	253,224	2.058
7	2018	4,922	233,808	1.105
Average /Mean				2,988

Source: Processed Secondary Data (2021)

Table 1 shows that the percentage is decreasing every year (except in 2013). This result is caused by the increase in GRDP, which tends to be small, followed by a high increase in *ROI*. Therefore, the difference between GRDP and *ROI* is very high. The *ROI* decreased by around 20 billion in 2017-2018, from 253,224 billion to 233,808 billion. The average percentage of the agricultural sector's GRDP contribution to *ROI* is 2.988%. It is under-contributing since the percentage is below 10%. These results align with the results of the study conducted by Khoir (2018) concluding that the decline in the contribution of the tourism sector is due to an increase in income from other sources of *ROI*. This data contrasts the Province of Bali, which makes the tourism sector its main contributor to *ROI* (Katarina & Fithriana, 2017; Gunadi, 2019).

The role of the agricultural sector in contributing to the income of Trenggalek Regency is in the 'less contributing' category. It might be an effect of the under-education experienced by most farmers in Trenggalek Regency, so they cannot get maximum harvest to contribute to regional income. These results align with the studies conducted by Awaluddin et al. (2014); Salahuddin et al. (2017). The two studies state that the farmers' knowledge or education level is low. This under-education resulted in unsatisfactory yields in terms of quantity and quality. This problem forces the need to improve the skills of farmers in processing their farms by the local government. Therefore, they can improve the quantity and quality of their harvest. One of the efforts to increase farmers' education is by providing assistance or counseling from related institutions or agencies (Haryanto et al. 2017; Widiastuti et al., 2018). Farmers' knowledge improvement can boost the quality and quantity of harvest to contribute to regional income (Ulhaq, Harpowo, & Widyastuti, 2021). In addition, Shodiq (2022) mentions that an effort to increase farmers' income to encourage an increase in GRDP is by applying the concept of CPRV (minimize cost, maximize productivity, minimize risk and value-added) in carrying out farming activities.

Contribution of GRDP of the Manufacturing Sector to ROI

The sector closely related to agriculture in Trenggalek Regency is the manufacturing. The process industries use a lot of raw materials from agricultural products. The GRDP contribution of the manufacturing sector to the ROI of Trenggalek Regency is ranked third after the agricultural sector and retail trade. This sector is mostly filled by small and medium enterprises that convert goods with low economic value into products with high selling power. The following are the details of the percentage of the manufacturing sector's GRDP contribution to ROI in Trenggalek Regency.

Table 2. Contribution of Manufacturing Sector GRDP to the ROI of Trenggalek Regency from 2012 to 2018

No	Year	GDRB (Billion, IDR.)	ROI (Billion, IDR.)	Contribution (%)
1	2012	1,414	70,198	2.014
2	2013	1,538	77,799	1.976
3	2014	1,724	132,951	1.296
4	2015	1,920	155,254	1.236
5	2016	2,092	182,174	1.148
6	2017	2,342	253,224	1.002
7	2018	2,679	233,808	1.146
Average /Mean				1.403

Source: Processed Secondary Data (2021)

Table 2 shows that the GRDP always increases every year, although the increase is not as big as the ROI. The extreme increase in ROI (approximately 20 billion per year) affects the contribution of GRDP generated by the manufacturing sector. The percentage of contributions is decreasing except in 2018, which increased from 1.002 to 1.146%. The decrease was due to the great difference between the numerator (GDP) and the denominator (ROI). This conclusion is in line with Syartika (2018) stating that the contribution made by the tourism sector's income does not have a relative role in the ROI of Kerinci Regency.

The low contribution from the manufacturing sector is caused by the amount of income that ranks third and because the manufacturing products produced are less attractive to consumers. It contrasts with Sulaiman and Murtala (2021), who stated that the contribution of the processing sector to the GRDP of North Aceh Regency was 11.59%. Providing appropriate training for small and medium business actors to be more creative in producing processed products can solve this problem. The goal is to increase consumer buying interest to contribute to regional income, namely the GRDP of the manufacturing sector. Moreover, Shodiq (2022) states that increasing added value can be done by processing the products into semi-finished or ready-to-use materials.

CONCLUSION

The average GRDP contribution of the agricultural sector is 2.988%. Therefore, it is categorized that the contribution of the two sectors is low. The small average percentage is due to the high increase in ROI and the extreme difference between ROI and GRDP. The average GRDP contribution of the manufacturing sector is 1.403%. The contribution obtained by the manufacturing sector tends to decrease continually because the difference between the numerator (GRDP) and the denominator (ROI) is so high that it can be categorized as least contributing. The agricultural and manufacturing sectors are the least contributing because Trenggalek Regency has many other economic sectors that contribute a lot to the GRDP for the area.

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