

Theme: Analysis of the Development Potential of
Economic Growth Centers in Strategic Areas in
Batubara District, North Sumatra Province

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ABSTRACT

This study aims to analyze the potential development of economic growth centers in strategic areas in Batu Bara Regency, North Sumatra Province. This district is known to have a diversity of economic potential, ranging from natural resources, industrial sectors, tourism, to the creative economy. Through a holistic approach, this study identifies key factors that can advance regional economic growth. The research method used is descriptive by collecting data through literature studies, field observations, and quantitative data analysis. The results of the analysis describe the abundant potential of natural resources, the important role of the processing industry sector, and the opportunities offered by the tourism and creative economy sectors. It was found that Batu Bara Regency has great potential to become the center of economic growth in the North Sumatra region. The diversity of economic sectors provides opportunities for sustainable development by involving collaboration between governments, entrepreneurs, and local communities. Despite challenges such as tourism and infrastructure management, improvement and innovation efforts are expected to increase the economic competitiveness of Coal Regency. In conclusion, Coal District has a strong foundation for sustainable, inclusive, and innovative economic development. By optimizing its potential and overcoming existing challenges, this region can make a significant contribution to economic growth at the local and regional levels.

Keywords: Economic Development, Economic Growth

1. Introduction

Batu Bara Regency, North Sumatra Province, holds substantial economic potential that needs to be explored and developed more intensively. Sustainable economic growth in a region is often closely related to the identification and development of centers of economic growth. Therefore, this study aims to run an analysis of the potential development of economic growth centers in strategic areas of Coal Regency. Some of the factors that form the basis of this research include, namely Coal Regency is famous for its abundant natural resource potential, especially in terms of mineral and coal mining. Optimal management of these natural resources is expected to be the main driver of economic growth in the area.

Infrastructure availability and accessibility are key elements in determining economic development potential. Analysis of infrastructure and connectivity in Batu Bara District will provide an overview of the region's readiness for sustainable economic growth. Identifying the development potential of the industrial sector and supporting Micro, Small and Medium Enterprises (MSMEs) is considered a strategic step to create jobs and increase people's income. The tourism potential of Coal

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Regency needs to be further explored as an alternative source of economic growth. The development of the tourism sector can make a significant contribution to the local economy.

The role of local governments and the involvement of local communities are important factors in moving the wheels of the economy. A review of government policies and programs as well as the readiness of the community to support economic development needs attention. Through this research, it is expected to produce policy recommendations and strategies for the development of a sustainable economic growth center in Batu Bara Regency, North Sumatra.

Economic Development

According to Sukirno (2006), one of the important conditions that will realize economic development is that the rate (percentage) of economic growth must exceed the rate of population growth. The greater the difference, the greater the level of development or economic development achieved.

Economic Growth

Sukirno (2006) distinguishes between economic growth and economic development by using the expression "economic development is economic growth coupled with change". That is, economic development is not only measured from the increase in the production of goods and services from year to year, but also from other changes that occur in various aspects of economic activity such as the development of education, technology, health, infrastructure, and people's income. According to Arsyad (2013), economic growth is defined as an increase in GDP / GDP growth regardless of whether the increase is greater or smaller than the population growth rate, or whether there is a change in economic structure or not.

Regional Economic Development

Arsyad (2013) provides three definitions of regions from an economic aspect: homogeneous regions (an area with similar characteristics), nodal regions (areas controlled by one or several centers of economic activity), and planning or administrative regions (regions based on the administrative division of a country).

Regional Development Concept

Glasson (Tarigan, 2006) presents two perspectives on the region, namely subjective (territory as a tool to identify locations based on certain criteria or goals) and objective (areas are distinguished based on objective characteristics such as season, temperature, land configuration, plant species, and population density).

Economic Base

R. Adisasmita (2008) divides the region into two, namely the area that carries out trade (concerned) and other areas. The structure of the economy is divided into basic sector and non-basic sector, where basic activities produce goods for export out of the region, while non-basic activities meet local needs.

2. Metode

This research adopts a qualitative approach, which is descriptive and emphasizes more on analysis. A qualitative approach is used to understand the processes and meanings underlying the phenomenon under study. The theoretical foundation is integrated as a guide to keep research focused

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on facts in the field. The data collection process is carried out through the literature review method. Literature review is a research activity that seriously explores theories and concepts relevant to the research topic. It aims to obtain a solid foundation in moving to the next stage of research.

The research method used is descriptive, involves analysis, refers to data, and utilizes existing theories as support, with the aim of producing a theory. Literature study is the main means of obtaining information. Various types of literature, such as journals, textbooks, dictionaries, documents, internet sources, as well as articles related to tourism and creative economy, are used as references to support the analysis and findings in this study.

3. Results And Discussion



The economic potential of Coal Regency, which is the base sector or leading sector, involves several key sectors, namely the processing industry sector, large and retail trade sector, car and motorcycle repair, agriculture, forestry, and fisheries sector, construction sector, and transportation and warehousing sector.

Processing Industry Sector:

The processing industry is a base sector that manages various natural resources into finished or semi-finished goods to increase value added. Examples are the palm fruit processing industry into Crude Palm Oil (CPO) and Palm Kernel Oil (KPO), the agricultural and fishery product processing industry, and the aluminum processing industry with bauxite raw materials at PT. Inalum, Tbk, and other processing industries.

PT. Inalum, Tbk, as a leading aluminum producer in the world, is an upstream industry that can encourage the growth of the downstream industry. By utilizing the progress of PT. Inalum, Tbk, this sector contributes doubly to the Gross Regional Domestic Product (GRDP) and employment opportunities.

The contribution of the processing industry sector in forming GRDP ranks at the top, amounting to Rp. 15,961.45 billion in 2022, and has continued to increase since 2017. Seeing the great potential in the development of the industrial sector in this area, investment (investment) both Domestic Investment (PMDN) and Foreign Investment (PMA) in the form of new industrial equipment based on modern technology can be a strategic step to process raw materials more efficiently.

Progress in the processing industry sector has a positive impact on other sectors such as transportation, trade, agriculture, and other sectors, which can encourage economic growth and

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expand employment opportunities. Thus, investment in this sector is expected to accelerate the economic growth of Coal Regency.



Agriculture, Forestry, and Fisheries Sector

The agriculture, forestry, and fisheries sectors in Batu Bara Regency show considerable potential by contributing significantly to the Gross Regional Domestic Product (GRDP) in 2022, amounting to Rp. 6,827.21 billion, and increasing every year since 2017. Oil palm plantations, which are sufficient to produce Crude Palm Oil (CPO) and Palm Kernel Oil (KPO), are the main raw material for various industries, including industries in the Sei Mangkei Special Economic Zone (SEZ) area. The fisheries sector, especially the abundant production of marine fish due to its area bordering the sea, also contributes greatly as a source of income for the community around the coast.

To support the smooth running of fish trade, the improvement of Tanjung Tiram port and Tanjung Tiram city as the center of the fish trade market is important to note. This sector has great potential to be developed through increased investment, both Domestic Investment (PMDN) and Foreign Investment (PMA). Investment in more modern agricultural equipment, such as tillage tractors and harvesting machinery, as well as increasing agricultural areas, is a strategic step. On the other hand, the fisheries subsector requires investment in modern fishing gear and better boats/fishermen.



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In order to support the agricultural and fisheries sectors, it is necessary to build a dry port with adequate equipment. Progress in these two sectors will provide a positive impetus for the development of other sectors, such as the manufacturing industry, trade, transportation, and other sectors, which will ultimately create jobs and increase regional income.

Batu Bara Regency is strategically located and is a center connected to other districts, supported by better road infrastructure, and with the ongoing toll road construction, large trade is increasingly facilitated. The potential of retail traders can also be increased, especially with the growth of the population working in various sectors. Retailers who sell food and handicrafts need to be considered to increase consumer appeal. The development of the car and motorcycle repair sector has also become significant, mainly due to the increasing economic activity that relies on motor transportation. In 2022, the large trade, retail, car repair, and motorcycle sectors ranked third in contribution to GDP, amounting to Rp. 6,282.87 billion.

Looking to the future, the large trade sector, retail traders, car repairers, and motorcycles are expected to continue to expand along with the progress of other sectors. Therefore, the need for investment in this sector is quite potential to be developed.

Transportation and Warehousing Sector

The smooth running of economic activities is strongly influenced by the transportation sector to transport raw materials and production products. In Batu Bara Regency, the transportation sector provides significant support to economic activity and has great potential in transporting processing industry products, agricultural products, and fishery products, both for domestic needs and exports abroad. The mobility of residents to and from this area also depends on the smooth running of the transportation sector. In addition, the warehousing sector has an important role in temporarily storing goods before being transported using means of transportation. Warehouse usage services are a source of income for the community and local government.



For example, the port of Kuala Tanjung, which is Asia's largest port in sea transportation, requires extensive warehouses to temporarily store the goods to be transported. Along with the development of the industrial sector, trade, agriculture, fisheries, construction, and other sectors, the need for warehouses will increase.

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The transportation and warehousing sector has an externality impact on other sectors, especially in increasing regional income and absorbing a large number of workers. Therefore, this sector is a very potential target for investment (investment). Tanjung Tiram Port, as a seafood transportation port, also needs to be supported by the availability of warehouses for temporary storage of marine fish production. The contribution of the transportation and warehousing sector to the GRDP of Coal Regency reached fifth place, amounting to Rp. 1,186.70 billion.

Tourism Sector

Although the tourism sector is not explicitly calculated in GDP or GDP, because it is considered integrated with other sectors, the potential of this sector is very large in Coal District. There are seven tourist attractions in Batu Bara Regency, including: (1) Istana Lima Laras in the form of palace buildings in Tanjung Tiram District, (2) Salah Nama Island in the form of islands and beaches in Tanjung Tiram District, (3) Pandan Island in the form of islands and beaches in Tanjung Tiram District, (4) Bunga Beach in the form of beaches in Tanjung Tiram District, (5) History Beach in the form of beaches in Fifty District, (6) Datuk Nature Tourism Beach in the form of a beach in Sei Suka District, and (7) Perjuangan Beach in the form of a beach in Sei Suka District.

Until now, these seven attractions have not been managed properly, although the number of visitors has increased, especially for Pandan Island and Salah Nama Island. However, the availability of lodging and restaurants around the attraction is still inadequate, and transportation facilities are still limited to simple boats. Investment, especially in the construction of hotels, restaurants, and transportation facilities, is very suitable for increasing the income of investors, the community, and the government, while creating jobs.

Other sectors (other than the six leading sectors)

Other sectors, although their contribution to GDP is relatively small, have an important role because they support each other with the existence of six leading sectors. For example, the financial and insurance services sector, information and communication sector, health, education, and other sectors have a positive impact on the development of superior sectors. Although their contribution may be smaller economically, without the support of these sectors, the growth of leading sectors will be hampered. Therefore, the joint development of all these sectors is important to achieve sustainable economic growth in Coal District.

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Table 1. Gross Regional Domestic Product (GRDP) of Coal Regency Based on Valid Prices for 2018-2022 (billion Rupiah)

Business Category/Field	GRDP Based on Prevailing Prices According to Business Field (Billion Rupiah)					
	2017	2018	2019	2020	2021	2022
A. Agriculture, Forestry, and Fisheries	5750.42	6085.37	6394.84	6827.21	7533.00	8615.00
B. Mining and Quarrying	40.55	44.23	48.04	48.51	49.68	53.25
C. Processing Industry	14013.48	15078.15	15785.80	15961.45	17007.75	18613.59
D. Electricity and Gas Procurement	13.94	15.33	16.71	17.63	18.33	19.36
E. Water Procurement, Waste Management, Waste and Recycling	10.04	10.24	10.93	10.95	11.31	11.42
F. Construction	2104.38	2302.77	2530.92	2497.86	2548.25	2715.29
G. Wholesale and Retail Trade; Car and Motorcycle Repair	4928.07	5354.81	5953.18	6282.87	6653.31	7281.47
H. Transportation and Warehousing	1086.86	1143.32	1200.58	1186.70	1194.48	1297.43
I. Provision of Accommodation and Food and Drink	361.77	386.59	418.74	395.27	395.69	417.47
J. Information and Communication	132.98	143.24	156.35	170.92	186.88	199.43
K. Financial Services and Insurance	93.88	99.47	102.13	101.85	108.13	113.31
L. Real Estate	376.47	408.01	439.63	461.28	465.75	484.92
M,N. Corporate Services	31.01	33.50	37.13	39.08	39.74	42.15
O. Government Administration, Defense and Compulsory Social Security	573.80	609.15	667.47	687.44	683.85	684.21
P. Education Services	124.59	132.93	145.27	153.05	155.12	160.16
Q. Health Services and Social Activities	87.12	94.86	106.68	111.33	111.24	119.06
R,S,T,U. Other services	27.51	30.02	33.46	34.23	35.18	39.20
Gross Regional Domestic Product	29756.87	31972.00	34047.85	34987.64	37197.71	40866.72

Investment policy in Batu Bara Regency is one alternative to boost economic growth, prosper the community, and provide employment. Therefore, local government policies are needed that are in line with national investment policies, as follows:

1. Fast investment licensing services, which are within 3 hours (in accordance with Economic Package Volume II), are not only for investors in industrial estates, but also for small medium industries (MSMEs).
2. Acceleration of Standard Operating Procedures (SOP) in the issuance of tax allowances (income tax reduction) to encourage investors to invest their capital (Economic Package Volume II).

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3. Simplification of land purchase permits for investment without harming the community (Economic Package Volume III).
4. The implementation of investment facilities includes fiscal and non-fiscal facilities. - Fiscal facilities include exemption from import duties on machinery used for production activities, exemption from import duties on production materials, as well as tax allowance and tax holiday recommendations from BKPM (Investment Coordinating Board). - Non-fiscal facilities in the form of permits to import machinery and goods for production purposes and for trade.
5. Issuance of Regional Regulations (Perda) by the joint executive body of the legislature to encourage investment activities (investment) and licensing services, in line with preparations for the freedom of investment flows of the Asian Economic Community (AEC) in Coal District.
6. Provision of Human Resources (HR) that are competent, have integrity, morals, and have a good vision.
7. Local Government Regulation (Perda) on manpower by prioritizing the population (labor force) in Batu Bara Regency according to their competence, without hindering workers from outside the region or abroad.
8. Provision of investment supporting infrastructure.
9. Local Government Regulations (Perda) that regulate the use of investment land without shifting the existence of the community.
10. Encourage investment cooperation between the government and the government, government and private, private and private, and provincial governments with district/city governments.

In the framework of One-Stop Integrated Investment and Licensing, the One-Stop Integrated Investment and Licensing Office is responsible for policy formulation, policy implementation, evaluation, administration, climate development, promotion, service, implementation control, and management of investment data and information.

Analysis of Economic, Industrial, and Creative Economy Potential in Coal District:

1. Economic Potential:
 - a. Natural Resources: Coal Regency has abundant natural resource potential, especially in the agriculture, plantation, and fisheries sectors. The existence of mineral and coal mines is also the main driver of economic growth.
 - b. Infrastructure: The availability of infrastructure and better connectivity, especially with toll roads and ports, provides a positive impetus to the smooth flow of goods and people, supporting economic activity.
 - c. Tourism: Tourism potential in Batu Bara Regency, such as beaches, mountains, and other tourist attractions, provides opportunities for the development of the tourism sector as an alternative source of income.
2. Industry Potential:
 - a. Processing Industry: Coal District has a significant processing industry sector, especially related to the processing of agricultural products, fisheries, and mining. The existence of PT. Inalum as a leading aluminum producer contributes greatly to the growth of the industry in this area.

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- b. Agriculture and Fisheries: The agriculture, plantation, and fisheries sectors have great potential, especially with the existence of oil palm plantations that produce CPO and KPO as raw materials for industry in the Sei Mangkei SEZ area.
3. Creative Economy Potential:
 - a. Creative Industry Development: The concept of creative economy in Batu Bara Regency can be focused on developing creative industries that combine information, creativity, and ideas. Utilization of human resources as the main production factor can produce innovation and added value.
 - b. Creative Industry Support: Support for the creative industry can be strengthened by improving supporting infrastructure, training human resources, and increasing access to markets. Partnerships between governments, entrepreneurs, and local communities are key to encouraging the growth of the creative economy.
4. Synergy between Economic and Creative Economy Sectors:
 - a. Utilization of Local Potential: Coal District can utilize local potential, both in terms of culture and nature, as an inspiration for the creative industry. Empowering local communities in creating creative products and services can be a sustainable economic driver.
 - b. Creative Industry Cluster Development: Building a creative industry cluster by integrating the economic and creative economy sectors can create a mutually supportive ecosystem. This can increase competitiveness and attract investors.

By analyzing the potential of the economy, industry, and creative economy holistically, Batu Bara District can formulate targeted policies to support sustainable, inclusive, and innovative economic growth. Synergy between these sectors can be key in achieving the economic development goals of Coal District.

4. Conclusion

The conclusion of the analysis of the potential development of an economic growth center in Batu Bara Regency, North Sumatra Province, confirms that this region has a strong foundation to become an economic locomotive in the vicinity. The potential of abundant natural resources, infrastructure support, as well as the diversity of sectors such as the processing industry, tourism, and creative economy, provide great opportunities for sustainable economic growth.

Successful development requires special attention to sustainable natural resource management, infrastructure improvement, and optimization of potential sectors such as tourism and processing industries. Challenges such as suboptimal tourism management and supporting infrastructure that needs to be improved must be overcome with targeted and innovative policies.

Collaboration between the government, entrepreneurs, and local communities is the key to success in realizing the economic potential of Coal Regency. Thus, holistic policy implementation, synergy between economic sectors, and active participation of all stakeholders are strategic steps to achieve inclusive and sustainable economic development in Coal District.

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