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**Journal of Economics, Business, and Government Challenges**

# POTENTIAL, PROSPECT AND INVESTMENT POLICY OF SURABAYA CITY

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**INTRODUCTION**

directly related to the development potential owned

| ARTICLE INFORMATION | ABSTRACT |
|---|---|

This research aims to find out the types of superior investment potential that are the main attraction and the inhibiting factors and supporting the development of types of business or leading sectors. In this study using a quantitative approach with several stages of Location Quotient analysis tools, Shift Share, and Klassen Typology. The results of this study conclude that the economic structure of the city of Surabaya is dominated by 5 sectors, namely: a) the manufacturing industry sector; b) trade sector; c) the accommodation and food and beverage supply sector; d) information sector, and e) financial services sector. From the results of LQ which are included in the base category in Surabaya, including a) the electricity & gas procurement sector; b) water supply sector; c) the construction sector; d) trade sector; e) transportation sector; f) the accommodation supply sector; g) information; h) financial services sector; i) real estate sector; j) company service sector; k) the health service sector, and l) the health service sector. While the investment potential and opportunities in the city of Surabaya are based on the results of the analysis above then there are in the transportation sector, the accommodation supply sector, and the information sector.

## INTRODUCTION

Indonesia's economic dynamics today are rapidly changing with complex economic issues, requiring a fast and effective policy. Accelerate the economic development of the region, the policy is required to perform regional potentials and spatial arrangements in the physical and social form (Ovi et all, 2012). Regional potentials are a natural wealth that is owned by the region to be a very important supporting factor as a capital for economic development so that economic development can focus on the development of the economic sector.

To achieve the objectives of economic development, it is necessary to do the maximum policy to the priorities of development based on the development potential owned by the region. It is by each region is very varied so that demands from each region should do the activities of the more dominant economic sector (Redjeki et all, 2014). The policy of regional economic development should be adjusted to the conditions of the problem, needs, and potential of the relevant area.

Indicators are commonly used to demonstrate the level of regional welfare with information about gross Regional domestic product concept of the community is seen to experience a growth in prosperity if the per capita income is continuously increasing. More about the significance of the national economic growth which is an archipelago country has diverse economic growth in each province and Regency/city. One of the economic growth that is the concern for the province is East Java that economic growth is always on the growth

of the national economy and when looking at East Java is not separated from the contribution of Surabaya city that became the biggest contributor in the economy of East Java.

According to (Arsyad, 2014) explained that the economic growth of the region is one of the benchmarks that can be used in increasing the development of the area in question through various economic sectors that describe the level of economic change. Economic growth can be interpreted as the development process of economic activities that cause goods and services to be increased and the welfare of the community also increases. Furthermore, the pace of economic growth is an increase in the value of the GDP without taking into account the increase greater or less than the rate of population growth as well as the Perubahn in the economic structure.

The city of Surabaya became a gateway in East Java and East Indonesia province as an area for economic activities, especially the distribution of goods and services between islands in Indonesia. During the 2012-2017 period of economic growth in Surabaya city experienced fluctuate growth with decreased likelihood, but in 2017 increased 1 percent from the previous year of 6.1 percent, for more details can be seen in Figure 1.1. to the growing economic growth, it is necessary to do the appropriate policy to bring investors so that the economy can continue to grow at an optimal level.
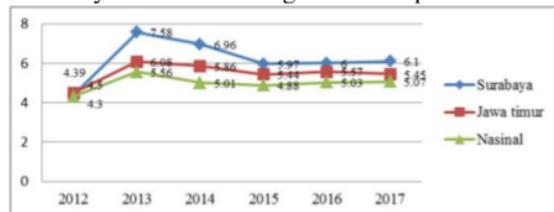


Source: BPS, data processed.

**Figure 1.1. Economic growth in the city of Surabaya, East Java, and national**

Based on image 1.1, seen the movement of the economic growth of Surabaya but in principle that the problems faced by the economic growth of the region are not yet known economic sectors that become economic potential to be developed so that the result of economic growth is only relying on quantitative figures only and not able to provide comprehensive data on the government in the management of its economy through priority development of the economic sector and also efforts to improve Therefore it is necessary to

complete information about the base sector in the area so that the next step of identification of the economic sectors that have potential competitive competitiveness and who have a high level of specialization.

The above concept is very important because if not yet know the potential and specialization of economic sectors then it is difficult to develop. However, when the area is already aware of the potential development levels of the economic sectors, the Government's policy on those sectors is more appropriate to determine the economic construction in a clear, targeted and precise way. From the framework of thinking above and the actual condition, the goal to be accomplished in the research is to discover the types of excellent investment potential that are the main attraction and the barriers and supporting factors in the development of the business type or the superior sector.

## LITERATURE REVIEW
### Economic Base Theory

According to Arsyad (2014), The principal actor of the economic base theory reflected in the economic growth of an area is directly related to the demand for goods and services from outside the region which can be classified into two sectors namely the base sector and non-base sectors. The base category is a sector that has been able to perform export-oriented activities and the sector also has the role of a major mover in the economic growth of the region. The larger the exports of an area the more developed region. Of any change occurring in the base, the sector raises a multiplier effect in an economy. On the other hand, for non-base sectors is an economic sector that can only perform activities for communities within the boundary of the relevant economic region or with the name of non-base sectors is a wide scope of production and marketing that is still local. The intent of the above concept explains that the direction and growth of an area are determined by export in the region.

The emphasis in the Pentuan of a regional development strategy based on the theory above is the emphasis on the significance of aid to the business world that already has a market either local or global market. While the implementation of policies that include reduction of barriers to export-oriented enterprises then established a company in the area. In the framework of economic base sector

analysis of the region usually use Location Quotient analysis, a method aimed at knowing how large the level of the specialization of the superior sector by comparing the role in the economy of the area with the role of similar activities in the regional economy (PINEM, 2016).

## Economic Growth Theory

In the framework of analysis on economic development that is one important indicator is economic growth because economic growth is a process that describes the presence of a real product or real income increase in a region. So it can be realized that the economy is a process of growing and developing that caused the growth of real output. Besides, economic growth occurs when there is an increase in the per capita output that describes the increase in the life level through the measurement of real output per resident. While in a certain period of economic growth can also describe the extent to which the economic activity of the region can generate additional community income in the activity is a process of using production factors in generating output to the production factory that is owned by the community so that in turn with the economic growth in a region then the community income as the owner of the production factor will also increase.

Conceptually, economic growth theory can be interpreted as an explanation of what factors determine the long-term increase in per capita output and give an idea of the process of factors so that there is economic growth (Arsyad, 2014). While Schumpeter and Hicks in (Wahed, 2019) Explain the differences in terms of economic development and economic growth because economic development can be interpreted as spontaneous and intermittent changes in the stationary state that constantly change and replace the existing balance situation previously. While the meaning of economic growth is a long-term change that occurs slowly through the increase in savings and population. Furthermore, Hicks explained about the issues that are always experienced by third World countries regarding the development of unused sources. Meanwhile, according to Simon Kuznets (Wahed, 2019) explaining the term of economic growth is a long-term increase in the ability of an area in the provision of goods and services increasing, the capability grows under technological advances and the necessary institutional and ideological adjustments.

## Invesment
### Theory Invesment

Investment is an activity to purchase an asset in hopes of being sold again to get a higher value. Subsequent investments can also be interpreted as a delay in consumption at this time for future consumption. With hope in the future gains, this is a compensation for the time and risks associated with an investment activity that has been done. While investment activities (investment) consist of goods purchased for the future use that will be dating with various types of investment groups: 1) The fixed investment business represents the purchase of new factories and equipment undertaken by the company; 2) fixed investment residency is a new home buying activity by households and landlords; and 3) The investment of this inventory is increased activity in the company's supply of goods (Arsyad, 2014).

### Types Of Investment

Based on the type, investment activities can be classified into two types, namely: real investment and financial investment (Destiningsih et all, 2019). The real investment is an investment activity for durable goods that are used in the production process in the form of productive assets, the construction of factories, the opening of mines, and the opening of plantations. While the types of financial investments are investments made in the capital market such as securities, purchase of shares, bonds, and other debt proof documents.

Investment activities are differentiated into investments that retain wealth and investment that continue to add capital goods such as by buying new goods. In general, replaced capital goods are Durable goods with long term use properties. However, with the replacement of capital then there are things that need to consider is 1) The technical age that is the ability of capital goods that provide benefits; and 2) economic age relating to the number of operational costs incurred.

### Factors investment

Some things to consider in order to increase investment growth are as follows:

1. Creating an attractive investment climate, creating an attractive investment climate in an effort to invite investors to invest their capital, it is necessary to ensure security and create good economic conditions and conditions. If the opposite happens, it will be uncomfortable for investors to invest their capital in the area

so that it is impossible for investors to invest capital in the area concerned.

2. Simple procedure, at this stage it is also very important to attract foreign and domestic investors because basically investors do not like convoluted methods/procedures but these investors should be given easy access to and invest in areas that are concerned.

3. Smooth service is also a driving force in increasing the value of an investment in an area due to the uncomplicated stewards for both foreign and domestic investors in obtaining information about the condition of the region.

4. Supporting facilities and infrastructure, this field is related to consistent regulations and can guarantee the certainty of business and investment security for investors. The serious effort of the government has been proven by the launching of a policy of regulation and bureaucratization in the field of investment of foreign and domestic investors (Islamy, 2019).

## RESEARCH METHODS

### Research Approach

In this study, using a quantitative approach. By understanding the quantitative research method is based on a framework of thinking research methods used to examine positivism against certain populations. While the technique of sampling is generally done randomly using research instruments and quantitative data analysis aimed to test the hypothesis that has been set in the research. Besides, also in this research using several stages of analysis tools Location Quotient, Shift Share, and Typology Klassen.

### Types and Sources of Data

For this type of data used in this research is secondary data time series for four years (2014-2017). Besides, it also secondary data obtained through library research and record books of literature and of readings related to the research problem. While the source of the data obtained from government agencies such as the Central Statistics Agency (BPS) Surabaya and the Central Statistics Agency (BPS) of East Java Province and other relevant agencies in the city of Surabaya.

### Analysis phase

In general, the method used in this research is descriptive research. So there is no need to use testing on the hypotheses that have been explained in the previous chapter. While the model and data analysis used is through an economic base approach and data analysis used in this study are as follows:

### Location Quotien (LQ).

The Location Quotient method is an indirect approach used in measuring performance from the economic base of a region. While the purpose of the Location Quotient method is used to test the economic sectors included in the category of base or non-base sectors. In the concept of the Location Quotient method an area of economic activity is divided into two groups:

1. Activities of the economic sector that are able to serve markets in the region itself or outside the region concerned and this sector fall into the category of base sectors.

2. In this economic sector, activity is only able to serve the market in the area and this sector is categorized as a non-base sector or local industry.

In its implementation, the Location Quotient method is comparing the magnitude of the role of a sector in an area to the size of the role of the same sector at a greater level. There are several variables that can be compared but the most common are value-added income levels and employment. Whereas used in the Location Quotient method as follows:

$$LQ = \frac{X_i}{PDRB} \Big/ \frac{X_i}{PNB}$$

Explanation :

xi     = Value added sector i in a region.
GDP  = Gross Domestic Product.
Xi     = Value added sector nationally.
GNP = Gross National Product or GNP.

If the value of Location Quotient> 1 then it means that the role of the sector in the region was larger when compared with the role of the same sector level, greater and if the value of Location Quotient <1 then it means that the role of the sector in the region is smaller compared to the larger area.

### Shift-Share

In effect, the shift-share method describes the performance and productivity of the economy of a region through the performance comparisons economy much larger area. The Shift Share method can also compare the growth rate of regional economic sectors with a higher economic growth rate at the provincial level. By using the shift-share analysis can be seen as changes in economic

structure during a certain observation period. The data used is the GDP sectors.

Shift share analysis can be used for variable employment or value-added but this method is used for variable data jobs on the grounds more easily obtained.

Shift Share Analysis is a method used to analyze changes in regional economic structure compared to the larger regional economy. While the purpose of the Shift Share analysis is to determine the performance or work productivity of the regional economy by comparing the larger regions. There are three stages in the Shift Share analysis, including (Arsyad, 2014):

1. In this stage regional economic growth is measured by analyzing sectoral aggregate changes compared to changes in the same sector in the economy that are used as a reference or a larger area.
2. In the proportional shifts or called Proportional Shift is to measure the relative changes in growth in the area compared to the economy above which is used as a reference. So with this information, it can be seen that the regional economy is concentrated in industries that are growing faster than the economy that is used as a reference.
3. The final stage is differential shifting, called the Differential Shift, which is useful for determining how much industrial competitiveness in the region is compared to the economy which is larger as a reference region/region.

The technique of shift-share analysis in this study starts from the calculation phase of changes in the GDP of a sector in an area for 4 periods with the mathematical model as follows:

$$\Delta Q^t_{ij} = Q^t_{ij} - Q^0_{ij} \quad \dots\dots\dots\dots\dots\dots\dots\dots\dots(1)$$

Explation :

$\Delta Qtij$ = Changes in GRDP.

$Qtij$ = regional GDP i j region year period t.

$Q0ij$ = regional GDP in the base year period.

From equation (1) the next step is to shift-share analysis process with three components which include regional shares, proportional shift, a different shift so that the equation (1) can be expanded to:

$$\Delta Q^t_{ij} = Q^0_{ij}\left\{\frac{Y_t}{Y_0}-1\right\} + Q^0_{ij}\left\{\frac{Q^t_i}{Q^0_i}-\frac{Y_t}{Y_0}\right\} + Q^0_{ij}\left\{\frac{Q^t_{ij}}{Q^0_{ij}}-\frac{Q^t_i}{Q^0_i}\right\} \dots(2)$$

In equation (2) can be separated into three (3) components that can affect the economic growth of a region/theority:

$$PR_{ij} = Q^0_{ij}\left\{\frac{Y_t}{Y_0}-1\right\} \quad\dots\dots\dots\dots\dots\dots\dots\dots\dots\dots.(3)$$

$$PS_{ij} = Q^0_{ij}\left\{\frac{Q^t_i}{Q^0_i}-\frac{Y_t}{Y_0}\right\} \quad\dots\dots\dots\dots\dots\dots\dots\dots (4)$$

$$DS_{ij} = Q^0_{ij}\left\{\frac{Q^t_{ij}}{Q^0_{ij}}-\frac{Q^t_i}{Q^0_i}\right\} \quad\dots\dots\dots\dots\dots\dots\dots\dots... (5)$$

Extraction :

Yt = East Java GRDP year period t.

Y0 = GDP of East Java Province in the base year period.

Qit = GDP East Java Province sector i in year t.

Qi0 = GDP East Java Province sector i in the base year.

Qijt = GDP Surabaya in year t.

Qijt = GDP Surabaya in the base year.

There are several terms on the terms of the results of the calculation of the shift share, including

1. If the value of Proportional Shift <0, the sector grows relatively slowly in the Surabaya area.
2. If the value of Proportional Shift> 0, the sector grows relatively fast in the Surabaya area.
3. If the Differential Shift value <0, the sector has slower growth compared to the same sector in Surabaya.
4. If the Differential Shift value is> 0, the sector has faster growth compared to the same sector in Surabaya.

**Typology Klassen**

In the economic progress of a region expressed by economic growth in each region, of course, each is different. The differences are described in the ability of the region, say in the region which could stimulate economic activity so that it can grow rapidly but the ad also areas that can not do much so the economic cycle remained at one point or even negative growth. Methods Tipology Klassen is an analysis method that aims to determine the classification of economic sectors by identifying the position of sectors of the economy of a region based on two characteristics that possess are the growth sectors of the economy and the contribution

of economic sectors (Islamy, 2019), while in practice the methods Typology Klassen is divided into 8 (eight) classification of sectors with different characteristics as follows (Wahed, 2019).

Using the methods Typology Klassen in this study classifies based on the results of LQ and shift-share and Classification of the sector is (Wahed, 2019):

Quadrant I : "special" category with a value of LQ> 1 and a Dj & Pj value> 0.

Quadrant II : "Excellent" category with LQ value> 1 and Dj value> 0 & Pj <0.

Quadrant III : "good" category with LQ value> 1 and Dj value <0 & Pj> 0.

Quadrant IV : Category "more than enough" with LQ value> 1 and Dj value <0 & Pj <0.

Quadrant V : "more than enough" category with LQ value <1 and Dj & Pj values> 0.

Quadrant VI : "almost enough" category with LQ value <1 and Dj value> 0 & Pj <0.

Quadrant VII : "less" category with LQ value <1 and Dj value <0 & Pj> 0.

Quadrant VIII : Category "very less" with LQ value <1 and Dj value <0 & Pj <0.

**Table 1.1**
**Classification of Economic Sectors Based on Klassen Typology**

| Quadrant | LQ | DS | PS | Category |
|---|---|---|---|---|
| I | LQ > 1 | $D_j > 0$ | $P_j > 0$ | Special |
| II | LQ > 1 | $D_j > 0$ | $P_j < 0$ | Very well |
| III | LQ > 1 | $D_j < 0$ | $P_j < 0$ | Good |
| IV | LQ > 1 | $D_j < 0$ | $P_j < 0$ | More than enough |
| V | LQ < 1 | $D_j > 0$ | $P_j > 0$ | Enough |
| VI | LQ < 1 | $D_j > 0$ | $P_j < 0$ | Almost enough |
| VII | LQ < 1 | $D_j < 0$ | $P_j > 0$ | Less |
| VIII | LQ < 1 | $D_j < 0$ | $P_j < 0$ | Less so |

## DISCUSSION
### Location Quotients Analysis (LQ)

In concept, Location Quotient (LQ) is used to determine the economic sectors Which sectors are included in the category of the base (seed) and Which sectors are included in the category of sectors instead of a base. The assessment is seen if the value of the calculation Location Quotient indicates a figure of more than one (LQ> 1) means that the sector is categorized as a sector basis and if the value of Location Quotient indicates the number is less than one (LQ <1) means that the sector is in the category instead of the basic sector. While the data used in this study is the city of Surabaya GRDP data by comparing the level of East Java Province, for more details on the results of the calculation Location Quotient city of Surabaya in the following figure.

**Figure 1.2. Value of Location Quotient Index in Surabaya City**

From picture 1.2. it appears that the results of the calculation of the Location Quotient in the city of Surabaya during the study period. Furthermore, it can be seen that there are basic and non-base sectors and are included in the basic sector in Surabaya, namely: a) Electricity & Gas Procurement sector with an average value of 1.4287; b) the Water Supply sector with an average value of 1.5694; c) the Construction sector with an average value of 1.0868; d) the Trade sector with an average value of 1.5388; e) Transportation sector with an average value of 5.2556; f) the Accommodation Provision sector with an average value of 2.7662; g) Information sector with an average value of 1.1553; h) Financial Services sector with an average value of 1.8770; i) Real Estate sector with an average value of 1.5350; j) the Corporate Services sector with an average value of 2.9115; k) the Health Services sector with an average value of 1.1736, and l) Other Services

sector with an average value of 1.0135. there are 12 (twelve) sectors that are categorized as bases in the city of Surabaya and at the same time become a sector that can meet local needs and can meet requests from outside the region.

On the other hand, the economic sectors in the city of Surabaya that have negative values from the results of the Location Quotient calculation are a) Agriculture sector with an average value of 0.0140; b) Mining sector with an average value of 0.0011; c) the Manufacturing Industry sector with an average value of 0.6566; d) Government Admin sector with an average value of 0.5671; and e) Educative Services sector with an average value of 0.8796. economic sectors that are categorized as not base can be interpreted that these economic sectors are only able to meet local needs in the city of Surabaya. Besides that, it can also be seen that from the results of the calculation of the Location Quotient value of Surabaya, there are still many sectors which should be the base sector but not yet become the base sector in Surabaya such as the Agriculture sector; b) Mining sector; c) the Manufacturing Industry sector; d) Government Admin sector; and e) Educative Services sector. So it is necessary to take steps from the city government of Surabaya to develop the non-base sector and it is hoped that in the future it will become a sector that is not only able to meet the demand in the Surabaya region but is also able to meet the demand outside the Surabaya city area.

**Shift Share Analysis**

Conceptually, the Shift Share analysis is used to find out the process of economic growth in the city of Surabaya, which is associated with a larger regional economy, East Java Province as a reference area. While the Shift Share analysis in this study uses the income variable (GRDP) of the city of Surabaya, which is compared with the GRDP value at the level of East Java province during the 2014-2017 period. For GRDP growth can be broken down into shift components and share components are as follows:

a. The National Share component can be interpreted as an increase in the city of Surabaya GRDP if the proportion of the change is the same as the GRDP growth rate at the East Java province during the study period.

b. The Proportional Shift component is a field that measures the magnitude of the Surabaya city net shift caused by the changing composition of Surabaya City's GRDP sector. If the positive Proportional Shift value means that the economic sector grows faster in Surabaya and if the Proportional Shift value is negative, it can be interpreted that the economic sector grows more slowly in Surabaya.

c. This Differential Shift component measures the magnitude of the net regional shift caused by certain sectors which are growing faster or slower in the city of Surabaya when compared to the East Java Province caused by internal locational factors. If a good resource will have a positive Differential Shift Component value and vice versa if it is locationally unprofitable it will have a negative Differential Shift Component.

**Table 1.2.**
**Surabaya City Shift Share Result**

| Year | $G_j$ | $N_j$ | $G_j - N_j$ |
|---|---|---|---|
| 2013 - 2014 | 306127.5 | 1262494.5 | -956367 |
| 2014 - 2015 | 324215.4 | 1331375.8 | -1007160 |
| 2015 - 2016 | 343652.6 | 1368560.9 | -1024908 |
| 2016 - 2017 | 364714.8 | 1479147.5 | -1114433 |

Source: BPS, data processed

Based on table 1.2. from the calculation of Shift-Share Surabaya during the period 2014-2017, the number of Surabaya city the GDP increase compared with the same growth rate of GDP growth in East Java Province during the study period, which in turn can be measured whether the area concerned shall grow faster or slower when compared to the growth of the reference area.

In Figure 1.3. Describing the results of the calculation of Proportional Shift in the city of Surabaya during the period of research can be explained that there is a positive and negative Proportional shift value of economic sectors. Based on the positive value of Proportional Shift, the economy sector of Surabaya will specialize in the national scale grow faster, if the value of the Proportional Shift is negative then the economic sector of Surabaya will specialize in a national scale grows slowly.
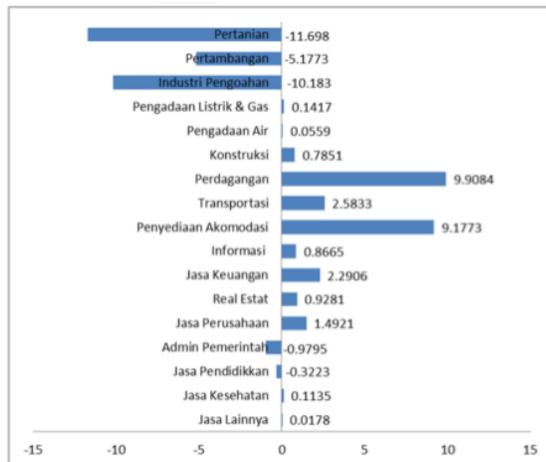
Note:
PS (+) sector is growing fast at the provincial level.
PS (-) Slow-growing sector at provincial level

**Figure 1.3. Proportional Value Shift Surabaya**

During the observation period, sectors that have a positive value of Proportional Shift are: a) the sector of supply of electricity and Gas average value of 0.1417; b) Water procurement with an average value of 0.0559; c) Construction with an average value of 0.7851; d) trade with an average value of 9.9084; e) Transportation with an average value of 2.5833; f) Provision of accommodation with an average value of 9.1773; g) information with an average rating of 0.8665; h) Financial services with an average value of 2.2906; i) Real estate with an average value of 0.9281; j) Company services with an average rating of 1.4921; k) Health services with an average value of 0.1135, and L) Other services with an average rating of 0.0178. While the economic sectors that have a negative value of Proportional Shift during the observation period are: a) agriculture; b) Mining; c) processing industry; d) Government admins; and e) Educative services.

From the explanation above shows that from the calculation of the value of the Proportional Shift City of Surabaya, where the value of Proportional positive Shift then Surabaya will be specialization in the national scale grows faster in the sector of electricity procurement sector & Gas, Pengadaan Air, Konstruksi, Perdagangan, Transportasi; Provision of accommodation, Informa's; h) Financial services; i) Real Estate, J) Company services, K) health services; and L) other services.

While the economic sectors that have a negative value of Proportional Shift during the observation period are: a) agriculture; b) Mining; c) processing industry; d) Government admins; and e) Educative services.

From the explanation above shows that from the calculation of the value of the Proportional Shift City of Surabaya, where the value of Proportional positive Shift then Surabaya will be specialization in the national scale grows faster in the sector of electricity procurement sector & Gas, Water procurement, construct, trading, Transportasi; Provision of accommodation, Informa's; h) Financial services; i) Real Estate, J) Company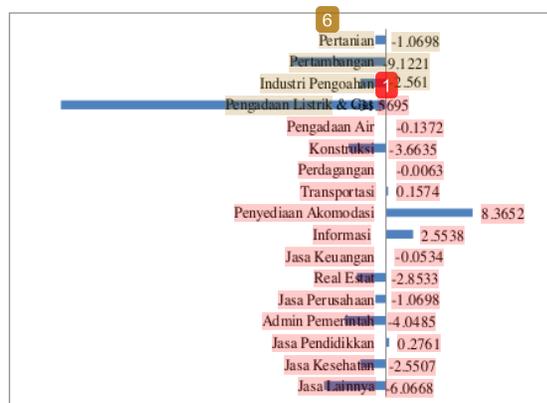 services, K) health services; and L) other services. While the economic sectors that have a negative value of Proportional Shift during the observation period are: a) agriculture; b) Mining; c) processing industry; d) Government admins; and e) Educative services.

Based on the calculation results of Differential Shift in Surabaya city during the research period that there is a positive Differential Shift value and a negative Differential Shift value. The meaning of the positive value of the calculation result of Differential Shift is that the economic sectors in the city of Surabaya grow faster compared to the economic sector in East Java province as a reference region and if the value is negative of the differential shift calculation, it can be interpreted that the economic sector in the city of Surabaya grows slower compared to the economic sector in the region of East Java province.

During the research period, the calculation of the Differential Shift of the economic sectors is positive and there are negative values. For the economic sector of positive value is, a) the transportation sector with an average value of 0.1574; b) The accommodation provision sector with an average value of 8.3652; c) The information sector with an average rating of 2.5538; d) The education services sector with a value of 0.2761. The economic sectors that have a negative value of Differential Shift calculation are a) the agricultural sector with an average value of-1.0698; b) The mining sector with an average value of-9.1221; c) The fishery industry sector with an average value of-2,561; d) Electricity procurement sector & gas average value -31.5695; e) The water procurement sector with an average value of-0.1372; f) Construction sector with an average

value of-3.6635; g) Trade sectors with an average value of-0.0063; h) The financial services sector with an average value of-0.0534, I) the real estate sector with an average value of-2.8533; J) The company's services sector with a value of-1.0698; K) The Government admin sector with an average value of-4.0485; L) The healthcare sector with an average value of-2.5507, and m) other service sectors with an average value of -6.0668.

| Sector | Value |
|---|---|
| Pertanian | -1.0698 |
| Pertambangan | -9.1221 |
| Industri Pengoahan | -2.561 |
| Pengadaan Listrik & Gas | 5695 |
| Pengadaan Air | -0.1372 |
| Konstruksi | -3.6635 |
| Perdagangan | -0.0063 |
| Transportasi | 0.1574 |
| Penyediaan Akomodasi | 8.3652 |
| Informasi | 2.5538 |
| Jasa Keuangan | -0.0534 |
| Real Estat | -2.8533 |
| Jasa Perusahaan | -1.0698 |
| Admin Pemerintah | -4.0485 |
| Jasa Pendidikkan | 0.2761 |
| Jasa Kesehatan | -2.5507 |
| Jasa Lainnya | -6.0668 |

Source: BPS, data processed

Note:
DS (+) sector is growing fast from the provincial level. DS (-) sector is growing slowly from the provincial level.

**Figure 1.4.Differential Shift Value of Surabaya City**

The explanation above has explained that based on the calculation of Differential Shift of Surabaya City during the observation period on sectors economy Surabaya city which is in the category of sectors grow rapidly from the economic sectors in the East Java province, including a) transportation sector; b) the accommodation provision sector; c) Sector information; D) The educative services sector. While the economic sectors in the city of Surabaya that grew slower than the economic sectors in the East Java province are: a) agriculture sector; b) mining sector; c) Industrial sectors of the fishery; D) The electricity procurement sector & gas; e) the water procurement sector; f) construction sector; g) trading sectors; h) The financial services sector, I) the real estate sector; j) Enterprise Services Sectors K) Government admin sectors; L) the healthcare sector, and m) other services sectors.

**Analysis Of The Typology Of Kalssen**

In determining the sectoral classification in the city of Surabaya is based on the results of the Location Quotient analysis and Shift Share analysis. This typology classifies the base and non-base sectors and compensating internal and external growth by combining the LQ indexes with DJ and Pj components in Shift Share analysis. Considering the parameters of the explanation above "LQ, Dj, and Pj", each typology can be interpreted that the economic sector that enters the quadrant I: "Special" category, Quadrant II: "Excellent" category, Quadrant III: Category "Good", Quadrant IV: Category ", Quadrant V: Category" More than adequate ", Quadrant VI: category" Almost adequate ", Quadrant VII: Category" Less ", and Quadrant VIII: category" Less once ".

**Table 5. Surabaya City Economic Sector Classification**

| Quadrant | Explanation | Location Quotient | Differential Shift | Proportional Shift | Category |
|---|---|---|---|---|---|
| I | Transportation | 5.255 | 0.157 | 2.5833 | Special |
| | Provision of Accommodation | 2.766 | 8.365 | 9.1773 | |
| | Information | 1.155 | 2.553 | 0.8665 | |
| II | - | - | - | - | Excelent |
| III | Electricity & Gas Procurement | 1.428 | -31.569 | 15.23 | Good |
| | Water Supply | 1.569 | -0.137 | 0.055 | |
| | Construction | 1.086 | -3.663 | 0.785 | |
| | Trade | 1.538 | -0.006 | 9.908 | |
| | Financial Services | 1.877 | -0.053 | 2.290 | |
| | Real estate | 1.535 | -2.853 | 0.928 | |
| | Company Services | 2.911 | -1.069 | 1.492 | |
| | Health Services | 1.173 | -2.550 | 0.113 | |
| | Other Services | 1.013 | -6.066 | 0.017 | |
| IV | Educational Services | 0.879 | 0.276 | -0.322 | more than enough |
| V | - | - | - | - | enough |
| VI | - | - | - | - | almost enough |
| VII | - | - | - | - | less |
| VIII | Agriculture | 0.014 | -1.069 | -11.698 | very less |
| | Mining | 0.001 | -9.122 | -5.177 | |
| | Processing Industry | 0.656 | -2.561 | -10.183 | |
| | Government Admintration | 0.567 | -4.048 | -0.979 | |

Source : BPS, data prosesced

From the table above, it is known that the economic sector that entered the quadrant I with the potential level of "special" there are three sectors namely, transportation sector, accommodation provision sector, and information sector. In Quadrant III There are nine sectors including Electricity procurement sector & Gas, water procurement sector, construction sector, trade sector, financial services sector, Real Estate sector, corporate services sector, health services sector, and other services sectors. While the economic sector that entered in quadrant IV with a potential level "more than adequate" is the education services sector. Lastly, the economic sector of the city of Surabaya located in Quadrant VIII with a potential level of "lack" of them: agriculture sector, mining sector, processing industry sector, and government administration sector.

**Development Of Potential Sectors In The City Of Surabaya**

Based on the results of the analysis phase, the potential sector of the research through the analysis of LQ analysis, Shift Share, and the analysis of the typology of Klassen obtained three potential sectors including transportation sector, accommodation provision sector, and information sector. Whereas if seen from the actual condition of Surabaya that became the center of Economic Growth in East Java and its role as one of the main trade gates in eastern Indonesia with all potential, facilities, and its geography, the condition is aligned with the development of the potential sector in the city of Surabaya.

From its economic structure, Surabaya is dominated by 5 (five) sectors, namely: a) the industrial sector of the processing; b) Trade sectors; c) The supply sector of accommodation and food beverage; d) Information sectors, and e) sectors of the financial services. As for the contribution of the sector potentials against Surabaya Perkeonomian large enough. Furthermore, more than 27 percent of the GDP value of Surabaya in 2016 was formed from the value of large trade and retail field, car repair, and motorcycles with a value of more than 137 trillion rupiahs.The next business field with the largest value is the processing industry that contributes 18.74 percent. The information and Communication business field ranks 5th with a value of 26.57 trillion or 5.37 percent.

**Investment Development In Surabaya City**

The regional government has proven its seriousness in taking several steps to encourage regional investment. however, some steps that have been made by the government so far has not thoroughly so that it is seen as a positive phenomenon to further enhance the investment to the area. While the steps initiatives that have been carried out are: a) to reform the bureaucracy investment services; b) building information systems investment potential; and c) improving the quality and quantity of physical infrastructure (Islamy, 2019).

To further increase investment attractiveness, many things need to be done by the Surabaya city government, including 1) improving the investment climate-related to non-economic aspects because these aspects are the initial consideration for investors to enter an area; 2) determining the next investment attractiveness is the government and its policies. Investors always monitor the role of the government in the regional economic system, especially the government's direct action on investors. If the government and its policies are not in favor of developing regional investment, investors are reluctant to invest in the economy in their area; 3) the service system is fairly influential on increasing investment in the region. Besides that, the institutions which are authorized and directly responsible for investment, require proactive programs in the framework of promoting the excellence of the regions concerned; and 4) collaborating between regions and improving physical infrastructure because infrastructure has a very important role as supporting business activities. the availability and quality of physical infrastructure can encourage the growth of new business activities and bring a large Multiplier Effect on the business world in a region. The regions need investment in their development because what enters the regions can practically increase regional income and absorb labor, which in turn can reduce poverty.

**CONCLUSIONS AND RECOMMENDATIONS**
**Conclusion**

From the results of the Location Quotient (LQ), Shift Share (SS) and Klassen typologies on the economic sectors of the city of Surabaya during the 2014-2017 period, the following conclusions are among others:

1. During the 2014-2017 period, the economic structure of the city of Surabaya was dominated by 5 sectors, namely: a) the manufacturing industry sector; b) trade sector; c) the accommodation and food and beverage supply sector; d) information sector; and e) financial services sector.

2. There are 12 (twelve) sectors included in the base category in the City of Surabaya, including a) the electricity & gas procurement sector; b) water supply sector; c) the construction sector; d) trade sector; e) transportation sector; f) the accommodation supply sector; g) information; h) financial services sector; i) real estate sector; j) company service sector; k) the health service sector, and l) the health service sector.

3. The results of the shift-share analysis with positive values from Differential Shift are: a)

the electricity & gas procurement sector; b) water supply sector; c) the construction sector; d) trade sector; e) transportation sector; f) the accommodation supply sector; g) information sector; h) financial services sector; i) real estate sector; j) company service sector; k) the health service sector, and l) other service sectors. While the economic sectors that have positive values from Differential Shift are: a) the transportation sector; b) the accommodation supply sector; c) information sector; and d) the education service sector.

4. The potential level of development of the economic sectors of the Klassen typology analysis in the city of Surabaya, namely: a) the transportation sector; b) the accommodation supply sector; and c) information sector. While the investment potential and opportunities in the city of Surabaya are based on the results of the analysis above then there are in the transportation sector, the accommodation supply sector, and the information sector.

**Recommendations**

To advance and increase investment in the city of Surabaya, this is a responsibility that involves many related parties according to their respective competencies and authorities. So in this study were obtained a few suggestions:

1. The Government needs to make revitalization of the development of the economic sectors with less potential, especially in the economic sector potential in the hope in the future the sector can contribute to the economic progress of the region.

2. For the regional government of the city of Surabaya, it is still necessary to improve the structure of the regional economy based on natural resources and productive economic activities and improve the ability of financial institution services in the regional economy. Besides, it is also the need to improve the quality of facilities and infrastructure that support business activities.

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