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Preface

Praise and gratitude always we pray to the Lord of Universe, GOD Almighty (ALLAH SWT), who always gives a mercy and blessing for mankind. Thus, we can attend the international conference in healthy and halcyon conditions without any obstacles.

First of all, on behalf of Rector of Muhammadiyah University of Metro warmly welcomes for the presence of keynote speakers and the participants of international conference in various colleges, either domestic or overseas. Especially for a chairman of Indonesian's People Consultative Assembly or MPR-RI, Mr. Zulkifli Hasan; and a chairman of Higher Education Assembly of the Central Board of Muhammadiyah, Prof. Lincoln Arsyad.

Secondly, we do apologize if in providing services to the keynote speakers and the participants of the international conference are below of your expectations, all of those are caused by our capability limitation.

Thirdly, through this international conference, intended as a reflection of our commitment consistently improve the quality of education and accommodate more opportunities in academic collaboration.

Therefore, I believe that this international conference will be able to present an interesting discussion on the topics, by prominent speakers from Malaysia, Indonesia, Brunei and Thailand, which contribute to the development of knowledge and hopefully will encourage more research on this region.

In this beautiful occasion, I would like to congratulate to the organizers of international conference who have organized this event, hence, the event can be held most efficiently. Perhaps, it will support Muhammadiyah University of Metro to actualize its mission to become one of *international standard universities* in the near future.

Finally, once again I would like to say, welcome to all the distinguished guests and participants of the international conference.

Muhammadiyah University of Metro will give the best to help you recognize this Lampung land. Please enjoy our hospitality and have a pleasant experience in the international conference. Thank you.

Metro, November 7th, 2016

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Table of Contents

Preface	ii
International Advisory Board	iii
Organizing Committee	iv
Table of Content	v

KEYNOTE SPEAKERS

1. Law and Human Rights in ASEAN Countries: Challenges and Prospects ~ Nehaluddin Ahmad	1
2. Challenges and Solutions of Higher Education Institutions in Asia in the Face of the ASEAN Economic Community (AEC) ~ Ab. Halim bin Tamuri & Norfaizah binti Othman	8
توريث الوراثة النبوية أهم أعمال علماء الإسلام ~ Ismail Lutfi	15

PAPER PRESENTERS

1. The Effects of Oil Price and Exchange Rate on Trade Balance: Evidence from Indonesia and Korea ~ Heon-Yong Jung	18
2. Empirical of Islamic Principle to Develop an Economic Society in Indonesia ~ Rahmat Ridhwan & Abuhason Yusoh	23
3. Using Center of Islamic Business and Economic Studies Model (CIBEST Model) To Measure Islamic Poor of Indeks in Pekanbaru City 2014-2016 ~ Emkhad Arif	27
4. The Impact of IFRS Convergence on the Market Value of Equity on Trade, Goods and Services Companies Listed on the Indonesia Stock Exchange ~ Bakti Setyadi, Bochari Rachman & Fitriasuri	30
5. Macroeconomics, Industrial Sensitivity and Capital Structure – the Corporate Investment Decision ~ Diyan Lestari, Vina Meliana	38
6. Internal Performance Measurement Model for Small Retailers ~ Rodhiah & Zahrida Wiryawan	43
7. The Correlation of Total Quality Management With External Customer Satisfaction In FEB UIN Syarif Hidayatullah Jakarta ~ Siti Nurhasanah	49
8. Food Security Influence Against Employment Opportunity at Aceh Province ~ Srinita	54
9. Analysis of the Effect of Perceptions and Attitudes Toward Behavior Society of Chinese Non-Muslims in Islamic Banking ~ Uus Ahmad Husaeni, Irpan Jamil & Huzny Farhany	60
10. Efficiency on Islamic Business Unit in Indonesia ~ Maya Panorama	65
11. Implementation of Performance Based Budgeting: in a Phenomenological Study at Finance and Asset Management NTB Province ~ Dody Irawan, Ahmad Rifai & Basuki Prayitno	72
12. Home-based Business Development Strategy: The Marketing Mix and SWOT Analysis ~ Abdullah Umar, Agung Hari Sasongko, Glory Aguzman & Sugiharto	78
13. Defining Family Business Listing in Indonesia Stock Exchange (IDX) ~ Achmad Sobirin, Muh. Zakki Fahrudin & Andiana Rosid	84
14. Employee Engagement on Multiple Generations ~ Rita Yuni Mulyanti, Ernie Tisnawati Sule, Maman Kusman & Hilmiana	90
15. Innovation Creative Economy Ridwan Kamil in Bandung City ~ Dewi Gartika, Fitri Melawati & Riki Satia Muharam	95
16. The Antecedent Variables of Government Financial Accounting System Implementation and Its Consequences (Empirical Study on Central Java Provinces, Indonesia) ~ Dona Primasari, Rini Widianingsih & Siti Magfiroh	100
17. Effect of Financing to Deposit Ratio (FDR), Murabahah, Musyarakah, and Non Performing Financing (NPF) to Profitability (ROA) on Islamic Banks in Indonesia ~ Marlina Widiyanti, Maya Yuliani & Taufik	108
18. Effect of Work Motivation, Organizational Culture, and the Spirit of Work on Employee Productivity at the Muhammadiyah University of Metro ~ Suwanto & Sri Retnaning Rahayu	116
19. Mapping of Local Economic Potential Based on Industrial Cluster in Lampung Province (Case Study in East and South Lampung Regency) ~ Bambang Suhada & Ery Baskoro	123
20. The Economic Growth In Way Kanan ~ Ardiansyah Japlani	128
21. Business Management Strategies in The Globalization Era (Era Afta) ~ Marhaban Sigalingging & Suharto	131
22. The Cultural Wisdom of Local Culinary In Facing Asean Economic Community (AEC) (Case Study of Pempek Traders District Bukit Kecil Palembang) ~ Aries Veronica & Desfitriana	140

23. The Effect Level of Regional Security Toward Level of Local Investment by Mediation Consumer Confidence Index ~ Evan Stiawan & Yosy Arisandy	145
24. The Analysis of Fixed Assets Management at Mataram University ~ Yurika Desiany, Titik Herwanti & Endar Pituringsih	151
25. Development of Agro Industry Sector Through Clustering Food Crop Production (Case Study: Payakumbuh, West Sumatra) ~ Budi Satria & Achiruddin	159
26. An Analysis of Earning Management to Predict Financial Statement Fraud: Empirical Study on Public Company in Indonesia Stock Exchange ~ Gustin Padwa Sari & Nedi Hendri	163
27. The Analysis of the Students' Preference in the Characteristics of the Entrepreneur ~ Andri Winata & Zuriana	168
28. The Competence of Human Resources in Collage Graduate to Face Global Competition ~ Bukman Lian	173
29. E-Waqf as an Alternative Solution for Infrastructure Development Based on Crowdfunding ~ Eka Nurhalimatus Sifa	178
30. Marketing City Leading Products Based Approach One Village One Product (OVOP) in The City - Province of Lampung ~ Ratmono, Nedi Hendri & Yateno	183
31. An Analysis of Rupiahs Exchange and Indonesia Crude Price (ICP) Rates and Its Effect Against Composite Stock Price Index (CPSI) in Observation of AEC Enforcement 2015 ~ Febriyanto	189
32. Management Zakat, Infaq and Shadakah (ZIS) Productive ~ Subandi	195
33. Strategic Group ~ Kartika Herbudiningtyas	200
34. Diversification Strategy ~ Hanur Yuniantri Wijayanti	207
35. The Image, Quality and Price of Sulam Usus on Consumer Purchasing Decisions ~ Ayu Desriani & Susi Indriyani	212
36. An Examination of Stock Market Dynamic Interdependence: An Evidence from Six ASEAN Countries ~ Annisa Nadhira	215
37. Modeling in Customer Satisfaction Using Training, Organizational Culture and Lampung Bank Performance in the Province of Lampung ~ Suharto	221
38. The Analysis on Implementation of ASEAN Harmonization Standards and Conformance Measures in Indonesia ~ Devi Oktiani	235
39. The Development of Craft Still Float Glow Filters (Study on The Bag Home Industry Tapis of Lampung Mrs. Inayah Rahmawati in Pringsewu) ~ Evi Meidasari M	240
40. Influence of Communication and Work Environment on the Job Satisfaction of Employees the Department of Revenue Lampung Province ~ Dharmawan	243
41. Modeling of Cooperative Agribusiness for Economic Empowerment of Community ~ Etik Puji Handayani & Supriyadi	250
42. An Implementation Review of Accrual-Based Accounting in Lampung Province ~ Yulita Zanaria	254
43. The Development of Creative Industries Through Cranci (Crafter Cinta Lampung) Cooperative ~ Selvy Mardiana	261
44. Management of Coastal Areas to Improve Competitiveness Commodities Seaweed ~ Dwi Edi Wibowo, Beny diah madusari, Chalimah & Jafron Wasig Hidayat	265



Mapping of Local Economic Potential Based on Industrial Cluster in Lampung Province (Case Study in East and South Lampung Regency)

Bambang Suhada^{*1}, Ery Baskoro^{*2}

^{*}MUHAMMADIYAH UNIVERSITY OF METRO, LAMPUNG, INDONESIA

Abstract

The objectives of this research are: 1) mapping base sectors which has multiplier effect to grow the other economic sectors; 2) measure of contribution change from every economic sectors; 3) arranging typology of local economic development based on local resources; iv) arranging of local economic development formula based on industrial cluster. Based on the result of LQ analysis, East Lampung is the base sector in economic from 2010 to 2014 period which divided into three sectors. Those are agriculture, forestry and fishery sector (1,07), mining and excavation sector (4,95), electricity and gas supply (1,37). South Lampung has six base sectors. Those are manufacturing industry (1,37), electricity and gas supply (1,28), water supply, waste cultivation, cesspit and recycle (1,2), Construction (1,26), small and big trading, car and motorcycle repair and retail (1,02), warehousing and transportation sector (1,24).

Based on the typology, East Lampung has four quadrants of economic sectors. The first quadrant of economic sector is manufacturing industry. The second quadrant of economic sectors are mining and excavation sectors, electricity and gas supply, transportation and trading, accommodation and food-water supply, financial and insurance services, real estate, company and health services, and social activity. The third quadrant of economic sectors is government administration and the other services. Then, the fourth quadrant of economic sectors are agriculture, forestry and fishery, water supply, waste cultivation, cesspit and recycle, construction and small-big trading, car and motorcycle repair and retail sectors. Meanwhile South Lampung has same quadrant number about economic sectors with East Lampung. The first quadrant of economic sectors is company and education services sectors. The second quadrant of economic sectors are mining and excavation, cultivation industry, electricity and gas supply, transportation and warehousing, accommodation and food-water supply, information and communication, financial and insurance, real estate, health and social activity sectors. The third quadrant of economic sectors is government administration, defence and compulsory social security sectors. The fourth quadrant of economic sectors are agriculture, forestry, fishery, water supply, waste cultivation, cesspit and recycle, construction, small and big trading, car and motorcycle repair, and other services sectors.

Developing local economic in East Lampung should has more value of improvement in agriculture sector (cassava commodity) influenced by cultivation industry. While, South Lampung should has the influence function (processed products of coconut) between big enterprise and home industry in mutually beneficial synergy scheme.

Keywords : Local Economic Development (LED), Location Quotient, Shift Share

1. INTRODUCTION

In the context of economic decentralization and regional autonomy which are still looking for their present form, the selection and application of a local economic development strategy has become a crucial. It can not be denied, that by the implementation of regional autonomy, it brings many autonomous regions in Indonesia just know aspects of authority as the local bureaucracy, not as a stimulator of economic development in the region. It will also sound a bit ironic if an autonomous region does not know the exact position and blessing of its own resources because it has never created and developed the resource potential map systematically. With the simplest logic, it is quite difficult for a region to formulate the direction and goal of local economic development if an initial steps is unknown or not mastered [6].

Local economic development which has been conducted by the various regions in Indonesia and in Lampung Province especially has not been widely used industrial cluster approach. During this time, local economic developments that exist only utilize local potential (resources based) which is built partially, therefore the linkages between sub-systems in the commodity system (the value chain) have not realized. Considering to the development of commodity and superior product has not been designed in the scheme of industrial clusters, so that the value added is actually enjoyed by other regions. This resulted, the quality of economic growth that is created is relatively low, which in turn is less able to create opportunities for employment growth.

Industrial cluster approach has now become a priority of government policy in many countries to improve the competitiveness of the region [2]. Industrial cluster development has been conducted by some industrialized countries, such as: USA, UK, France, Germany, Netherlands, Portugal, New Zealand and Japan, as well as some

¹ Corresponding Author. No Telp:-, *Email Address*: basucpc@yahoo.com

² Corresponding Co-Author. No Telp:-, *Email Address*:-

developed countries. In Indonesia, the industrial cluster approach was introduced as one of the priorities of national development policies through Act No. 25 of 2000 on the National Development Program.

In regard to local economic development that is designed by the industrial cluster approach, the specific objectives of this research are: to map the base-sectors which has a multiplier impact on the other growth economy sectors; to measure the contribution change of each economy sector; to compose a typology of local economic development based on local resources; and to design patterns of local economic development through industrial cluster approach.

2. THEORETICAL PERSPECTIVE

2.1 Local Economic Development

The World Bank (2003) argues that Local Economic Development is thus a partnership between local government, business and community interests. Local governments have an essential role in creating favorable environments for business success and job creation. Each community can undertake a collaborative process to understand and act on its own strengths, weaknesses, opportunities and threats (SWOT analysis).

The statement shows that there is a relationship between several factors of development refers to the necessity of partnerships among stakeholders such as: *local government, private sectors, non governmental organizations (NGO), community base organizations (CBO), donator/creditor, shareholders, and expertise*, which is called as *public-private partnership*. In addition, this partnership should be a basic response of local government to continue in increasing attention on a variety of major social issues. Without any partnership, the local economic development (LED) will be failed, it is caused the local government itself does not have the ability to develop strategies for local economic development, as well as execute [10].

In terms of the community, a Local Economic development is interpreted as an effort to liberate the community of all the limitations that hamper their efforts to build prosperity. Welfare can be interpreted exclusively as a guarantee of safety for mores, religion, their efforts and their self-esteem as in persons. All such guarantees could not be obtained from outside the community because the system is not sustainable, and therefore should be sought from community system itself which is often called independence. Thus, local economic development is the empowerment of the economic society in a region of overlap to local forces, be the power value of the location, natural resources, human resources, technology, management capability institutional (capacity of institutions) and asset experience (Haeruman, 2001 at Wiranto et al [3]).

2.2 Industrial Cluster

The cluster term refers to the definition of Porter (1998), ie as: a group of companies in a particular industry are concentrated in a particular geographic region, and interconnected (eg buyers, suppliers, service providers), jointly to the relevant institution (eg government, universities, training institutions, trade associations) that provide training, education, information, research, and technical support. [11]

Similarly, Lee defines the industrial cluster as a concentration of companies and industries in a geographic region that has interconnected related to the markets they serve and the products they produce, as well as suppliers, trade associations, and educational institutions. A cluster has a high-integration-level but it has low-structures-level; and cluster is differentiated to similar shape that is network and association. [12]

When a company joins in an industrial cluster, then there are some benefits that can be obtained such as: (1) it gives of mutual understanding to consumer needs and market opportunities both domestic and foreign markets; (2) it improves relationship between merchants and suppliers and it ensures the customer needs; (3) it provides the adequate experts, information and infrastructure that will strengthen the competitiveness of the platform (competitive advantage); (4) it gives the services to have world-class quality; (5) it reduces transaction costs of companies by eliminating economic barriers and the high economic cost; (6) it facilitates cooperation opportunities of procurement, export promotion, and goods distribution; (7) it prepares partner opportunities to the government and hold discussions about trade agreements, trade missions, and infrastructure provision; (8) it can explore the opportunities of trade investment; (9) it can obtain completed information and accessibility to data of the government in accordance to the provisions; (10) it can solve the conflict and isolation between industry and community in order to achieve synergies and mutual benefit.

3. METHOD

The research combines qualitative and quantitative approaches. A qualitative approach is to describe the data support and information related to existing portraits of local economic performance. While quantitative research is used to map the base sectors that have a multiplier effect on the growth of other economic sectors; to measure contribution changing of each economy sector; to construct a typology of local economic development based on local resources; to draft patterns of local economic development through industrial cluster basis.

The data that have been collected contain the documents planning of local economic development, research result reports, important information of respondents' statements related to the problem and the purpose of this

research. For supporting this research, the data collecting technique uses a questionnaire. Meanwhile the researcher uses Location Quotient (LQ), Shift Share Analysis and Weighted Product as the analytical method.

4. RESULT

Based on calculation of LQ, the basic sector which is leading sectors in East Lampung regency is as follows: 1) Agriculture, Forestry and Fisheries. During the period in 2010-2014, the coefficient of $LQ > 1$, it means that this sector tends to be "exported" to other regions. This is due to the development of East Lampung regency which improves consistently. East Lampung regency government regards this as a demand and need in order to create East Lampung Regency as the hinterland. Then, toll road development of Bakauheni to Mount Sugih which needs its infrastructure will be provided by East Lampung Regency surely. Electricity and Gas Procurements sector during the period in 2010-2014 has a coefficient of $LQ > 1$, which means that this sector is also a sector basis that tends to export to other regions. This is caused by the development of East Lampung regency that is more likely in the modern sector which emphasizes the tertiary sector which consistently supported by the secondary sector. The rapid growth of other sectors requires the support of the electricity and gas fulfillment.

Sector-basis of South Lampung regency in 2010-2014 sequentially as follows: processing industry sector with an index average of LQ is 1.37; Electricity and gas procurement sector with an index average of LQ is 1.28; construction sector with an index average of LQ is 1.26; transportation and warehousing sector with an index average of LQ is 1.24; water supply sector and sewage, waste and recycling treatments sector with an index average of LQ is 1.20; and wholesale and retail trade, car and motorcycle repair and retail sectors with an index average of LQ is 1.02.

Related to the shift of economic structure of East Lampung, there are six sectors that have a Cleaned shift value: Negative cleaned shift value is namely agriculture, forestry and fisheries; mining and quarrying; sectors of water supply sector, sewage, waste and recycling treatments sector; the construction sector, public administration sector, defense and compulsory social security and other service sectors; Positive cleaned shift value is namely the manufacturing sector; electricity and gas sectors; sectors of wholesale and retail trade, repair of cars and motorcycles and retail; transportation and warehousing sectors, accommodations and food and beverage sectors; information and financial sector; insurance and financial services sector; the real estate sector; service companies sector; educational services sector and health and social activities service sector.

The quadrant I is the quadrant where the PP and PPW both be positive. It shows that the sectors in this region has a rapid growth ($PP > 0$) and has a better competitiveness when compared to other regions ($PPW > 0$). Based on the obtained results, the growth profile of economy sectors of East Lampung Regency do not have economic sectors which are in quadrant I. The quadrant II shows that the economy sectors of the region has a rapid growth ($PP > 0$), but it has unfavorable competitiveness compared to other regions ($PPW < 0$). The sectors in the quadrant II are: the manufacturing sector; electricity, gas and water supply; building or construction sector; trade, hotels and restaurants sector; transport and communications sector; and services sector. The Quadrant III shows that the economy sectors in this region has a slow growth ($PP < 0$) with unfavorable competitiveness compared to other regions ($PPW < 0$) and negative value of PP and PPW. The sector which is included in the quadrant III is agriculture sector. The quadrant IV has different value where PP is negative and PPW is positive. The economy Sectors in this region have a slow growth ($PP < 0$) with the fairly good competitiveness compared to other regions ($PPW > 0$). The sector which is included in this quadrant is the financial, leasing and business services sector.

Related to the shift of economic structure of South Lampung, there are five sectors that have a negative cleaned shift value namely agriculture, forestry and fisheries sector; the manufacturing sector, water supply sector, sewage, waste and recycling treatments sector; public administration sector, defense and compulsory social security and other service sector. While the sectors that have a positive cleaned shift value such as mining and quarrying, construction, electricity and gas sectors; wholesale and retail trade, repair of cars and motorcycles and retail sectors; transportation and warehousing sector, accommodation and food and beverage sector; information and financial sector; insurance and financial services sector; financial services sector, real estate sector; companies service sector; educational sector services and health and social activities service sector.

Based on the obtained results, the growth profile of the economy sectors of South Lampung regency includes as follows: the economic sector in the quadrant I is company and Education Services sector; the economic sector in the quadrant II is mining and quarrying sector, manufacturing sector, electricity and gas procurements sector, transportation and warehousing sector, accommodation and food and beverage provisions sector, information and communication sector, financial services and insurance sector, real estate sector, and health services and social activities sector; the economic sector in the quadrant III is public administration, defense and compulsory social security sector; the economic sector in the quadrant IV is agriculture, forestry and fisheries sector, water supply sector, sewage, waste and recycling treatments sector, construction sector, wholesale and retail trade sector, car and motorcycle repairs and other services sector.

Local economic development potential in both regencies as sample research is directed to superior commodity / product development. Based on the calculation, the results of superior commodity / product development in East Lampung is cassava (*value vector s* is 4.6458 and *vector v* is 0.1468), whereas superior commodity / product development in South Lampung is a processed product of coconut (*value vector s* is 4, 8363 and *vector v* is 0.1452). Thus, the local economic development potential in both regencies prioritizes superior commodity / product development through industrial cluster approach in order to obtain high value and multiplier effect on the growth of other economic sectors.

5. CONCLUSION AND SUGGESTION

5.1 Conclusion

Based on analysis of LQ which became the economy basic sector of East Lampung for period in 2010-2014 consisted of three sectors such as: agriculture, forestry and fisheries sector (1.07), mining and quarrying sector (4.95) and electricity and gas procurement sector (1.37). For South Lampung there are six basis sectors such as: manufacturing industry sector (1.37), electricity and gas procurement sector (1.28), water supply sector, sewage, waste and recycling treatments sector (1.2), construction sector (1.26), wholesale and retail trade, car repair and motorcycle and retail sector (1.02) and transportation and warehousing sector (1.24).

According to its typology, the economic sector in East Lampung which entered to first quadrant that is the processed industry. The sector which is in second quadrant such as: mining and quarrying, electricity and gas procurement, transportation and trade, accomodation, food and beverage provision, financial and insurance services, real estate, corporate and health services and social activities. The sector that is in third quadrant ie: government administration and other services. While sector which is in fourth quadrant ie: agriculture, forestry and fisheries sector, water supply, waste, sewage and recycling treatments sector, construction sector, wholesale and retail sector, car and motorcycle repair and retail sector. While in South Lampung, sectors that is in the first quadrant is the firms and Education Services sector. The sector which is in second quadrant is mining and quarrying sector, manufacturing sector, electricity and gas procurement, transportation and warehousing sector, accommodation and food and beverage provision sector, information and communication sector, financial and insurance services sector, real estate sector, and health services and social activities sector. The sector which is in the third quadrant is the government administration sector, and defense and compulsory social security sector. While the sector which is in fourth quadrant is agriculture sector, forestry and fisheries sector, water supply, sewage, waste and recycling treatment sector, construction sector, wholesale and retail trade sector, car and motorcycle repair and other services sector.

Local economic development potential in both districts prioritize the development of superior commodity and product (cassava in East Lampung and processed products of coconut in South Lampung) through the industrial cluster approach in order to obtain high value and multiplier effect on growth of other economic sectors.

5.2 Suggestion

In local economy development of East Lampung, it is required an improvement of the more value in agriculture (cassava commodity) which is associated with an existed processing industry. Meanwhile, for South Lampung, it is required functional linkages between large enterprises with home industry, especially on processed products of coconut in the mutual synergy scheme.

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- [16] BPS (2015) PDRB Kabupaten Lampung Selatan
- [17] BPS (2015) Lampung Selatan Dalam Angka
- [18] BPS (2015).PDRB Propinsi Lampung
- [19] BPS (2015) Lampung Dalam Angka



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