Analysis of Economic Growths and Development Gaps between Cities in Southeast Sulawesi

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ABSTRACT

This study was conducted in the province of Southeast Sulawesi and aimed at finding out and analysing: (1) The level of economic growth of cities and regencies in Southeast Sulawesi, (2) development gaps between cities in the province, (3) the correlation between economic growth and development gaps between one city and the other. To determine the level of economic growth, a percentage method was used. To find out the level of development gap between regencies and cities Williamsom index was employed. To identify the relationship between level of economic growth and development gap between the cities, a coefficient correlation was used. Results of the study show that: (1) The economic growth in the cities and regencies within the province of Southeast Sulawesi over the period of 2010-2015 was between 6.68% and 12.04% per year. This figure was above our national economic growth, which was below 6% annually over the same period, (2) development gaps between one region and the other in Southeast Sulawesi were very narrow and relatively the same among the cities and regencies, (3) the economic growth had a positive, weak correlation with the development gaps, meaning that the higher the economic growth, the wider the gap.

Keywords: Economic Growth, Development Gaps, Williamson index
JEL Classifications: O11, O47

1. BACKGROUND

Development is essentially a multidimensional process which is related to the re-organization and re-orientation of economic and social system in a comprehensive manner (Todaro and Smith, 2012; Kusuma, 2011). From an economic perspective, the purpose of development is to boost economic growth so that people's welfare can be improved. According to Todaro, there are three main factors or components in the economic growth of every country. These include accumulation of capital, growth of population, and technological advance.

Basically, economic growth and economic development are two different things. Economic growth refers to spontaneous and continuous changes in a stationary state that always changes existing equilibrium situation, while economic growth is related to a long-term change that occurs gradually and steadily as a result of increased savings and population (Schumpeter and Hicks in Jhingan, 2014).

According to Kuznets (1955) and Jhingan (2014), economic growth is an increase in the long-term capability of a country (region) to provide more economic goods to its people, as well as its ability to keep up with technological advances and to make necessary institutional and ideological adjustment.

Gaps in the development between one region and the other are common in the economic activities of a country (region). The theory of neo-classical growth, also as the neo-classical hypothesis, states that development gaps tend to occur at the initial stage of a developmental process in a country. These will continue until the gaps reach their climax. Afterwards, if the development continues, the gaps will gradually become narrower.

Growth and equality are two important elements in developmental efforts at either national or local level. The reality, however, shows that these two aspects often experience a "trade-off" between one and the other. When development is given more attention, equality aspect will be reduced. Conversely, if equality

is prioritized, developmental process will become slower (Sjafrizal, 1997).

This study aimed to find out and analyse the level of economic growth of cities and regencies in Southeast Sulawesi, development gaps between one city and the other in the province, and the relationship between the economic growth and the development gaps.

2. LITERATURE REVIEW

Kuznets (1955) and Damarjati (2010) points out 6 characteristics of economic growth process found in almost all countries, namely: (1) A high level of output growth per capita and population growth, (2) a high level of increase in total factor productivity, where outputs generated by all input units or production factors are used to produce the outputs, (3) a high level of economic structural transformation, (4) a high level of social and ideological transformation, (5) a tendency of countries whose economic are beginning to or have already developed to expand to other parts of the world in order to market their products as well as to seek for new resources, and (6) limited distribution of economic growth, which is only enjoyed by a third of total world population.

Todaro and Smith (20012) and Kusuma (2011) mentions three main factors or components in the economic growth of every country, including: (1) Accumulation of capital, which encompasses all forms or types of new investment on land, physical equipment, and human capital or resources, (2) population growth, which will eventually increase employment rate, and (3) advances in technology.

Regional development is oftentimes different in terms of growth or equality. A gap in the development between regions is a common phenomenon that occurs in the region's economic activities (Sjafrizal, 1997). Basically, the gap occurs because one region has different natural resources and demographical condition from others. Consequently, every region also has different capability to carrying out its developmental process. Therefore, it is not surprising to see one region more developed than the other (underdeveloped region).

Developmental gaps in Indonesia have long been occurring and taking a variety of forms. The gaps can be found not only in terms of the results of the development, such income per capita, but also in terms of the developmental activity or process itself. It is not only a matter of gaps between individuals, but also between regions and sectors (Arsyad, 1999).

Wie (1981) states that from an economic stand view unequal incomes distribution can take the following forms: (1) An imbalance of income among recipients (size distribution income), (2) an imbalance of income between urban and rural areas (urban-rural income disparities), (3) an imbalance of income distribution among regions (regional income disparities).

An analysis which related economic growth and income distribution was invented by Kuznets (1955) who connected the growth rates of a number of developed and developing countries by studying time series data of the USA, England, and German, as well as cross section data of these three countries plus India, Sri Lanka, and Puerto Rico. On observing the data, Kuznet discovered a pattern of reverse U. The pattern indicated that the early stage of a development process was always characterised by poor distribution of income, which got worse until a certain point, after which the income distribution improved.

Caska and Riadi (2008) studied the economic growth and development gaps among regions in the province of Riau in Indonesia. The study used Williamson index, Klasen typology, and entropy index. It was found that, in terms of the Williamson index, there was an insignificant gap in the development, whereas based on the entropy index the gap was only slim, which meant that equal development occurred over the period of observation.

3. RESEARCH METHOD

This study was conducted in the province of Southeast Sulawesi. Secondary data were collected from the Office of Centre for Statistics of Southeast Sulawesi, as well as the same office of the cities and regencies within the province. The data were collected by studying documents containing information about gross regional domestic product (GRDP), GRDP per capita, and number of population within 2010-2015 period.

The economic growth was calculated in percentage, whereas development gaps between cities and regencies were found out using Williamson index (Williamson, 1965) . The correlation between the economic growth and the development gaps was determined by establishing their coefficient correlation.

4. RESULTS AND DISCUSSION

4.1. Economic Growth between Regions

Economic growth is relatively varied from city to city in Southeast Sulawesi. In 2010 it was between 6.68% and 12.04%. The lowest economic growth (6.68%) was recorded in Konawe, whereas the highest one (12.04%) was Kolaka. In 2011, the lowest economic growth (7.49%) occurred in Bombana regency, whereas the highest one (13.07%) in Kolaka.

In 2011, Muna regency had the lowest economic growth (7.15%), whereas Kolaka had the highest growth (14.04%), which was higher than the previous year (13.07%). In 2013, the lowest economic growth happened in Konawe (6.47%), whereas the highest one occurred in Kendari city (8.68%).

In 2014 South Konawe regency had the lowest economic growth (7.35%), whereas North Buton had the highest (9.51%). In 2015, North Konawe had the lowest economic growth (7.67%), whereas Kolaka had the highest one (11.31%). In general, the economic growths of every city and regency in Southeast Sulawesi within the 2010-2015 period were moderate. In fact, they were above the national economic growth, which was always <6% each year.

Agriculture is still the sector with the biggest contribution to the economic growth in the whole province, except for a few

cities. Mining and extraction gave the greatest contribution to the economic growth of Kolaka, whereas processing industries and services contributed most significantly to the economic growth of Kendari and Baubau. In 2015, Kolaka, Wakatobi, and North Buton regencies, as well as Kendari City had the highest economic growth, and was higher than the average of economic growth of Southeast Sulawesi. In contrast, the economic growths of Buton, Muna, Konawe, South Konawe, Bombana, North Kolaka, North Konawe Utara and Baubau City were below the provincial figure. Table 1 provides a detailed account of the economic growths of regencies and cities in Southeast Sulawesi Tenggara within the 2010-2015 period.

4.2. Gap in Regional Development

The developments in Southeast Sulawesi's regencies and cities have relatively been equal, and over the period of 2010-2015 development gaps in the region were insignificant. This can be seen from the Williamson index which closes to 0, as presented in Table 2.

It can also be seen on Table 2 that from 2010 to 2015 the developments of all cities in Southeast Sulawesi were equal. In other words, there were no big gaps between one region and the other(s), and there was no significant difference in the regional developments between all regions within the province.

The above table shows that from 2010 to 2015 there were no real differences in the developments of all cities in Southeast Sulawesi. In other words, development gaps between one region and the other(s) were only slim, and there was no significant difference in the developments of one city and the others.

Gains the development of regencies and cities in Southeast Sulawesi were relatively the same and there were no significant differences. Among the factors causing the small gaps in the regional development are: (1) The concentrations of economic activities that were relatively the same between one city and the others since there was no single economic activity that concentrated on one region only, (2) Mobility of goods and production factors between one region and the others that was not too different, (3) Investment by the local government that was still dominant, since all cities relied heavily on the central government to fund the development in their regions, causing no significant difference between one city and the others, (4) no significant differences between one city and the others in terms of natural resources, human resources, and cultural factors.

4.3. Correlation between Economic Growth and Development Gaps between Regions

To determine the correlation between the economic growth and development gaps between regions in Southeast Sulawesi, a correlational analysis was performed. Result of the analysis was a coefficient correlation, which can be seen in Table 3.

Based on the calculation of regression above, it is obvious that economic growth is positively correlated with development gap. Although the statistical test shows that the correlation between the two variables was insignificant in most cities/regencies, and it was only significant in two regencies, Muna and North Konawe, this

Table 1: Economic growths of regencies and cities in Southeast Sulawesi in 2010-2015

Regency/city	Economic growth (%)					
	2010	2011	2012	2013	2014	2015
Buton	7.73	10.84	9.11	8.09	7.69	9.73
Muna	6.82	7.80	7.15	6.68	9.33	9.00
Konawe	6.68	7.89	9.01	6.47	7.97	9.13
Kolaka	12.04	13.07	14.04	7.17	9.48	11.31
South Konawe	9.72	8.06	9.23	6.95	7.06	9.29
Bombana	8.06	7.49	9.76	8.35	7.35	10.18
Wakatobi	11.54	10.38	9.56	7.81	7.85	10.36
North Kolaka	7.25	8.93	10.68	8.70	8.35	11.10
North Buton	8.22	9.01	7.43	8.83	9.51	10.50
North Konawe	9.15	9.32	8.14	7.01	8.15	7.67
Kendari city	9.89	10.02	9.57	8.68	9.35	10.99
Bau Bau city	9.18	9.33	9.21	7.99	8.63	10.28
Southeast Sulawesi	8.22	8.96	10.56	7.39	6.02	10.28

Source: BPS (2016)

Table 2: Williamson index of regional developments in Southeast Sulawesi from 2010 to 2015

City/regency	Williamson index					
	2010	2011	2012	2013	2014	2015
Buton	0.116	0.108	0.105	0.099	0.100	0.099
Muna	0.121	0.124	0.129	0.129	0.120	0.120
Konawe	0.078	0.082	0.085	0.086	0.081	0.083
Kolaka	0.231	0.249	0.273	0.267	0.235	0.239
South Konawe	0.076	0.081	0.086	0.087	0.084	0.085
Bombana	0.047	0.053	0.056	0.057	0.058	0.060
Wakatobi	0.047	0.043	0.042	0.039	0.033	0.030
North Kolaka	0.048	0.043	0.042	0.043	0.047	0.048
North Buton	0.001	0.001	0.003	0.001	0.005	0.006
North Konawe	0.067	0.064	0.057	0.055	0.049	0.044
Kendari city	0.109	0.102	0.089	0.088	0.096	0.093
Baubau city	0.026	0.023	0.006	0.018	0.024	0.024

Source: BPS of Southeast Sulawesi, and BPS of regencies and cities in Southeast Sulawesi, 2016

Table 3: The coefficient correlation of economic growth and development gaps in Southeast Sulawesi

Regency and city	Coefficient correlation	Significance
Buton	0.029	Not significant
Muna	0.697	Significant (α=0.05)
Konawe	0.234	Not significant
Kolaka	0.016	Not significant
South Konawe	0.466	Not significant
Bombana	0.317	Not significant
Wakatobi	0.461	Not significant
North Kolaka	0.232	Not significant
North Buton	0.622	Not significant
North Konawe	0.836	Significant (α=0.05)
Kendari city	0.306	Not significant
Baubau city	0.165	Not significant

Source: Tables 1 and 2

indicates that a high economic growth can lead to development gap. Despite the fact that in 2010-2015 there were only small development gaps between the cities and regions, empirical data shows that during the same period the gaps increased in several regencies, including Kolaka, Konawe, South Konawe Selatan, Bombana, and North Buton. Conversely, in some other regencies the gaps were reduced. This fact indicates that what occurred

to some cities/regencies was not in line with the Neo-Classic Hypothesis, which states that development gaps tend to increase in the beginning of a country's development process.

5. CONCLUSION AND SUGGESTIONS

(1) The economic growth of regencies and cities in Southeast Sulawesi within 2010-2015 period was between 6.68% and 12.04% per year. This figure was above the national economic growth, which was always <6% annually over the same period, (2) Development gaps that occur between one region and the other(s) in Southeast Sulawesi were very small, and were relatively equal among the regions, (3) The correlation between economic growths and the development gaps was positive and weak, indicating that the higher the economic growth, the bigger the gaps.

Since it is empirically clear that the development gaps between one region and the other(s) are only very small and tend to be equal, the economic growth of Southeast Sulawesi needs to be increased and prioritized in order to accelerate the development in the province.

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