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**SOLVING SOLUTIONS IN RAISING THE GRDP OF BATAM CITY  
BASED ON THEORETICAL AND EMPIRICAL EVIDENCE**

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Received:

**May, 3<sup>rd</sup> 2021**

Revised:

**May, 7<sup>th</sup> 2021**

Approved:

**May, 19<sup>th</sup> 2021**

**Abstract**

*This paper aims to research the current GDP growth of Batam and provide alternative solutions to the city regarding to the several possible steps that can be taken in terms of raising the GDP of Batam city. Substantial evidence was shown that proves that Batam has not reached its possible target of GRDP growth. Several operable solutions were provided in this paper, all those that ultimately leads to pushing more citizens to open up new business which leads to new job creations, the increased number of investors that are willing to put money in Batam, and the increased productivity and quality of our human resources. To conclude shortly, this paper provided information that can describe the performance of the regional economy, evaluated development results, contributed to the making of regional policies or plans, and provided operable solutions in order to raise the GDP of Batam which, in the long run, is expected to increase the quality of life in Batam.*

**Keywords:** GDP growth, job creations, investors, increased productivity, development



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**INTRODUCTION**

According to (Laksamana, 2016), the calculation of GRDP is crucial for the country, because a country's economic growth is determined by an increase in output as measured by calculating GRDP. Another expert opinion, (Dyanan & Sheiner, 2018) also revealed that measuring GRDP accurately is important to accurately measure the productivity of a country in producing goods and services.

According to Spencer (James, Gubbins, Murray, & Gakidou, 2012), the use of GRDP as the most appropriate calculation to see the economic development of a region. Research by (Silastri, Iyan, & Sari, 2017) also concludes that GRDP is one of the most universal economic indicators for calculating economic development.

There are many experts who are also researching on how to increase GRDP. According to (Odit, Dookhan, & Fauzel, 2010), take people's education is proven to be seen as an important factor in increasing economic growth. Research by (Burda, Hamermesh, & Weil, 2006) also does this with his findings suggesting that hourly productivity is the main factor behind regional GRDP.

In addition to labor, there are other factors that are more significant in the influence of GRDP according to the economist (Choi, Furceri, Loungani, Mishra, & Poplawski-Ribeiro, 2018), that the higher the country's productivity, the more services and products produced, the higher the country's GRDP.

On the other hand, research by (Koojaroenprasit, 2012) argues that the highest factor for an increase in regional GDP is foreign investment. This research is also

supported by the study of (Sutawijaya, 2010) which argues that investment can affect economic growth such as increasing production, employment, added value, and exports. Prior to that, (Forte & Moura, 2013) has revealed that the effect of investment depends on the domestic conditions of the host country. Another study conducted by (Kunle, Olowe, & Oluwafolakemi, 2014) for the same subject, then the results reveal that even though investment directly has a positive effect on economic growth.

Batam City in Indonesia is known as one of the islands with the highest potential in terms of economic development (Harefa, 2013). Batam is one of the regions that is regulated to compete with other countries in the Asia Pacific (Sunantri & Wibowo, 2010). This is the reason why this research is background for Batam City. Batam is seen as an island that has enormous economic potential due to its strategic location (Dedees, 2016). Therefore, Batam City is one of the small islands in Indonesia which has the highest GRDP (Priyadi & Si, 2019).

Batam's GRDP per 2021 is ranked 17th for the highest GRDP by city; and this was achieved in a fairly short time. Batam's GRDP growth can be called a rate when compared to other cities, but it can still respond slowly when compared to other cities abroad that have similar strategic locations such as Malaysia or Singapore. Therefore, this research was conducted in order to provide alternative solutions to increase the GRDP of Batam more rapidly; to assist the vision and mission of Batam.

## RESEARCH METHODS

This study uses secondary data from the Central Statistics Agency as well as various economist journals to get the effect of increasing productivity through education and ease of starting employment, as well as the effect of foreign investment for countries that have similar economic, social and geographical conditions to Batam City, so the data is based on historical costs. The type of data is qualitative and quantitative data, and involves a naturalistic and interpretive approach to the subject matter in this study.

## RESULTS AND DISCUSSION

According to the research results, there is a special method that will work well for Batam City based on data that has been researched from other areas that have similar geographical, social and economic conditions to Batam.

### A. Batam City Workforce Productivity and Its Correlation with Batam's GRDP

The country's labor productivity and GRDP have shown to have a fairly strong correlation; with the basic fact that labor productivity means more and more human resources that are well utilized; and more and more products and services produced by a region. And one of the things that can reflect labor productivity is the unemployment rate in a region.

Table 1 shows the TPT and GRDP of Batam City in 2011 - 2019

Year	TPT Kota Batam	PDRB Kota Batam
2020	11.79	-6.66
2019	7.72	5.02
2018	8.93	5.17
2017	7.82	2.19
2016	7.09	5.43
2015	6.09	6.75
2014	6.64	7.2
2013	6.09	7.18
2012	5.05	7.4
2011	4.34	7.83

Source: CNBC Indonesia and the Indonesian Central Bureau of Statistics

The data in table 1 shows that Batam's GRDP will be lower if the TPT Batam is getting higher. It should be noted that although the PDRB calculation of Batam City includes many things other than the level of labor in Batam City, it still cannot be denied that Batam City workforce is indeed one of the factors that influence the PDRB of Batam City; and this can be proven through the data presented where the number of variables provided can more accurately support the theory put forward.

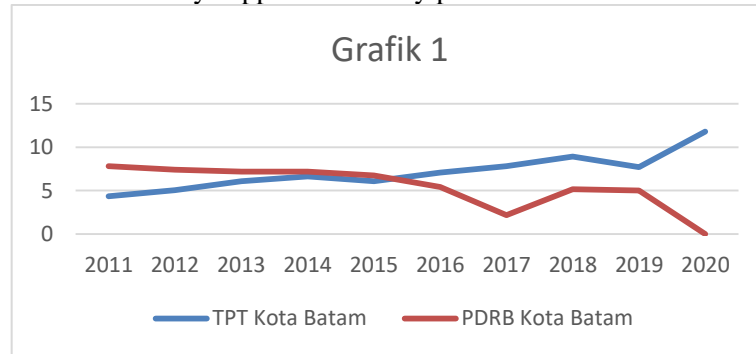


Figure 1 Graphic Illustration of TPT and GRDP of Batam City in 2011 - 2019  
Source: CNBC Indonesia and the Indonesian Central Bureau of Statistics

Figure 1 above is illustrated in order to show more clearly that the TPT and GRDP of Batam City move in opposite directions; the higher the TPT in Batam City, the lower the GRDP.

**1. Implementation of the New Law to Facilitate Community Work Creation**

Having proven that labor productivity does have a correlation with Batam's GRDP, it is necessary to find a solution to increase Batam's labor productivity. One of the biggest problems regarding low productivity is the high rate of unemployment, and the lack of job creation.

It was recorded that on January 1, 2021, there were 853,128 people in Batam who were at the working age. Meanwhile, the recorded employment is only 81,486, including MSMEs without employees. People tend to be reluctant to open jobs because they have a fear of failure. 38,876 MSME owners were interviewed for a research conducted by Batam Pos, of the 38,876 MSME owners, more than 35,000 admitted that they had an enormous fear of failure when they started out; and most of them have the same reasons, namely because of high local taxes and also the regional laws which are quite heavy if the MSMEs end up failing. 15,648 respondents admitted that they almost did not open MSMEs because of the many challenges.

The community cannot have employment opportunities, if the community itself is not able to create jobs. Relying solely on society to create jobs; especially with the tax law and doing business which is quite strict, it is a difficult thing. So it takes a breakthrough in the copyright work law that can make it easier for people to create jobs. It can be considered that the local government has prepared a safety net or willa walker for prospective MSME owners to encourage them to more easily open new MSMEs and create new jobs. There are many laws that can be changed to facilitate the creation of new jobs for the community.

For example but not limited to; Rigid calculation of severance pay, payment of employment recognition (UPMK) and compensation for rights (UPH) differentiated by reason of dismissal, as regulated in articles 161 to 172 in Law No. 13/2003 on employment, can be canceled. On the other hand, job creation can be replaced in that the employer is only obliged to pay severance pay and UPMK according to the employee's tenure, no longer obliged to be 32 months.

Administrative requirements such as building construction permits (IMB), building ownership status and land rights permits, architectural permits and building designations, among others that are regulated in Law 28/22 can be cut, especially in 2021 where most MSMEs no longer require all these things on line.

The requirements for outsourcing could also be relaxed significantly under the new bill, as Article 66 of the Manpower Act which prohibits outsourced employees from doing more than the core duties in the company has to be revised. The new bill suggests that it should make it possible for agencies to hire workers for a variety of tasks, including freelance and full-time.

There is a need for a new law on job creation, its point is to strengthen existing regulations by simplifying business licensing procedures in almost all business sectors. The bill changes the applicable laws related to the business sector, which aims to facilitate the licensing process and conduct business in the country. All of the aforementioned laws have also been implemented in several countries such as Vietnam and the Philippines which show an increase in job creation of around 5-7% compared to the previous one.

## **2. Increase Productivity Through Education**

Education also has a significant correlation for the GRDP of a region. The country's GRDP in the United Kingdom is approximately \$ 35,580 with 99% of the adult population being literate; The GRDP in Mexico is around \$ 11,410 with 92% of the adult population being literate; and the country's GRDP in Mali is around \$ 1,130 with only 46% of the adult population being literate. The data presented is intended to highlight that the higher the education of the community, the more quality human resources will be able to increase productivity and produce products / services.

Batam can improve the education of its people by holding programs that can encourage people to want to go to higher education, and provide free basic education from an early age. Public schools without fees are not unheard of in Batam; but the community is often not only free to attend school, but also does not see the importance of school; some of them also do not go to school to be able to work, sell, or help their parents to earn income.

By 2021, there are 54 free schools in Batam, and 35 of them are financed by the government. Some of these free schools are located quite close to, some even have less than 100 students per school. One solution to this is that the government can do this is to close 12 of the 54 schools whose students are below 100, then allocating funds to run these 12 schools as an incentive for every student who attends school every day. These incentives can be additional motivation for students to visit schools, with the hope of getting incentives, but also gaining knowledge in the process.

## **B. Encouraging Fields for Foreign Investment**

Minister of Finance Sri Mulyani Indrawati said that one of the motors to boost the regional economy is increased foreign and domestic investment. If economic growth in Batam can increase by around 5-7%, then every 10 years means that Batam's GRDP can increase 2x.

One of the ways to attract investors to Batam City is by building more advanced infrastructure. Batam's geographic location makes Batam a bridge city, especially for Singapore and Malaysia. Therefore, every year there are always a lot of foreign people who pass through Batam to transit. The effect is the number of developers who build property with the target market not Batam people; such as Meisterstadt, where over 60% of buyers are foreign investors, and Monde City, which is around 47%. The buyers are mostly citizens from Singapore and Malaysia. The number of property buyers in Batam is

not only because of the attractive apartments, but also because of Batam's infrastructure  
which can be

believed as one of the cities that can develop rapidly. Therefore, Batam infrastructure can be developed more rapidly and more effectively to increase foreign investors investing in Batam City, not only in property but also in state projects.

If implemented properly, vital new infrastructure will allow the free movement of goods to increase output and increase demand. A developing economy can basically help infrastructure projects to pay for the projects themselves.

The Indonesian Minister of Finance predicts a 1% increase in infrastructure spending will result in a 1.4% increase in GRDP within 4 years. But regardless, successful growth depends on developing economies creating a balance of economic, social and environmental factors to create an "enabling environment"; overcome regulation, bureaucracy and land tenure rights to encourage investment.

The gap between infrastructure projects and a country's ability to finance them is often filled by specialist investors, or partnerships between government and private corporate investors. The success of Batam's pension, insurance and wealth funds could help build up sizable capital to buy infrastructure assets, which many governments and private owners are happy to sell.

## CONCLUSION

Based on the analysis carried out and evidence of the relevant data presented, there are 2 most effective solutions to increase the GRDP of Batam City; the first is to attract foreign investment through Batam infrastructure development; this has proven to be working well, and local governments can be even more supportive by increasing purchases of infrastructure assets. The second is to increase Batam's productivity in two ways, namely creating laws that make job creation easier, and improving the quality of Batam's human resources through education.

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