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**INCREASING THE POSSIBILITY ECONOMY OF BALI CITY THROUGH THE  
DEVELOPMENT OF SMALL INDUSTRY****Ericko, Ervi Scorpianti, Jessy and Valiant Michelle**

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*GRDP plays an important role in the economic growth of a region. The high rate of GRDP can encourage regional growth and development. The growth of cities and their surrounding areas is closely linked to economic change, especially as it can create opportunities for more productive jobs that can contribute to attracting foreign trade and investment. The industrial sector is one of the largest contributors to GRDP in Bali after the trade sector and the banking sector and other financial institutions. The industrial sector is the largest employer of labor, with a positive growth rate every year, especially in 2019. This research used econometric model approach to co-integration and dynamic model approaches ECM (Error Correction Model) for methods of analysis. The results of multiple linear regression to estimate ECM shows that domestic investment (PMDN) and foreign investment (PMA) have influences toward GDRP in industry. In the short-term and long-term shows that domestic and foreign variable have positive and significant effect on the value of GDRP along with all industry including small industry. The aim of this study is to explore new things, new ideas, hypotheses and analyze the importance of the role and development of small industries in increasing the GRDP of the City of Bali.*

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**KEYWORDS**

GRDP, Small Industry, Regional Income, Economic Growth

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## INTRODUCTION

GRDP or gross regional domestic product lays an important role in the economic growth of a region. The amount of production or output of goods and services produced by the Region/Province/Regency/City is referred to as Gross Regional Domestic Product (Prawoto & Tri Basuki, 2020). High GRDP can encourage regional growth and development. The growth of cities and surrounding areas is closely related to economic change, especially as it can create opportunities for more productive jobs that can contribute to attracting foreign trade and investment. According to (Yuniandini, Hendrati, & Asmara, 2020), the economy can be said to grow and develop if the amount of production of goods and services also increases.

This regional economic development includes various sectors and stakeholders (Samudra, Baskoro, Wisudo, & Iskandar, 2010). This can work well as long as the jobs generated in urban areas also take into account the periphery, in particular maximizing job creation, especially for the unskilled poor. This shows that small industries that grow in urban and suburban areas are very important for economic growth (Malik, 2019). The growth of the country's economy can be seen from the GRDP of an area where this measure informs the ability of the region to allocate its development resources to produce goods and services within a certain time span (Dienelly, Bakri, & Santoso, 2017).

Small industries play an important role in any country, contributing to economic development, employment and poverty reduction. There are several reasons why Small Industry is measured as an instrument of growth, especially in developing countries. One of the reasons includes support from entrepreneurial activities and innovations that increase competition and productivity growth. The increase in capital goods as a result of investment will increase production capacity in the future and this development will stimulate an increase in national production (Ananda, 2020). Small industries are considered more creative because of their flexibility and higher adaptability to changes in the market.

In order to support company growth, small industries should focus on innovation. According to (Rizky Firmansyah Akbar, 2019), the industrial subsector has a great opportunity to allocate abundant natural resources and absorb labor in Indonesia with a large reach. Indonesia has been recognized as one of the countries with the fastest and fastest growing economy.

The government has given more attention through a positive response to increasing small Industry innovation in the form of a lot of support (Indraningsih, 2018), such as providing management training to develop the owner's capacity to run a business, product development training and promotional events through exhibitions or other efforts that can help improve financial and non-financial performance. Since the government provides many types of training to encourage Small Industries to innovate, Small Industry managers must also realize that it is very important to increase their company's innovation, which will ultimately affect the performance of Small Industries.

Leaders of small industries must educate their human resources about the reasons for the necessity of small industries to innovate. Workers are also instilled in understanding the meaning of change that is happening to everyone. Members will remind each other not to be afraid of change, and to be more focused on innovation.

Table 1. Bali Province Quarterly GRDP Growth by Business Field 2017-2019

Business Fields (17 Categories/Sectors)	Bali Province Quarterly GRDP Growth (y-o-y) By Business Field (Percent)		
	2019	2018	2017
	Quarter I	Quarter I	Quarter I
Processing Industry	9,63	1,36	3,58

Source: BPS, 2021

Based on existing data, the contribution of the industrial sector to the GRDP of the City of Bali from 2017 to 2019 tends to increase. Especially in 2019, which experienced such rapid growth. The management of the industrial sector is basically a problem faced by all countries, both developing and developed countries. (Su & Yao, 2017) researched concludes that the empirical findings show that the manufacturing sector is still the main engine of growth. Although the intensity of the problem may be very different due to differences in influencing factors such as the rate of economic growth, the technology used and government policies.

Regional original income or Pad according to (Zumardi & Sanica, 2020) is income that shows the ability of a region to combine all sources of funds used to carry out development or finance the area. According to (Yudiana, Aryawan, & Wulandari, 2019), there are three ways to calculate gross regional domestic product (GRDP) by taking three approaches, namely: the production approach, the income approach and the expenditure approach. In addition, according to (Haq, 2018), GRDP is divided into two types, namely nominal GRDP and real GRDP.

Small industries in Bali Province have good prospects to be developed as an effort to overcome unemployment and underemployment problems. From a macroeconomic point of view, the expansion of the industrial sector can occur through economic growth, namely through a process of constant increase in production output in the long term. As mentioned by (Juniarsih, Safrida, & Makmur, 2021), the GRDP of the manufacturing sector and the GRDP of the service sector have a significant effect on the GRDP. In the results of this research, the researcher comes from an industry located in the city of Bali because the city of Bali is a city center that affects GRDP especially for small industry.

For this reason, the contribution of the industrial sector is very important in increasing GRDP. Thus, the purpose of this research is to explore new things, new ideas, hypotheses and analyze the importance of the role and development of small industries in increasing the GRDP of the City of Bali. Researchers also want to know the contribution of small industry development to increasing the GRDP of the City of Bali.

## RESEARCH METHODS

In the research conducted by this author, the method used to analyze the growth of domestic regional product (GRDP) in Bali Province is using descriptive quantitative methods. The object of analysis in this study is economic growth in the province of Bali. In the data analysis process, the authors collect existing data by studying, reading, comparing the data with other sources, and also connecting them with existing theories. so that problems can be solved. In the last stage, the writer will draw conclusions from

**Ericko, Ervi Scorpianti, Jessy and Valiant Michelle**

these problems and also relate them to existing theories.

The data source used by the author is secondary data, which means the data is obtained from sources such as trusted sites and previous research. One of them, the analysis carried out in this study using statistical data obtained by researchers from the official website of the Central Statistics Agency (BPS), namely [bali.bps.go.id](http://bali.bps.go.id). The data used is statistical data regarding the growth of the GRDP of the Province of Bali and also the distribution of business fields in the Province of Bali in the last 3 years from 2017-2020.

The author also collects data or theories related to the researcher's report which the author analyzes to complete or help deepen the analysis of the author's report, using data obtained from several journal sources found. From the data obtained, the researcher will conduct an analysis related to the theories obtained by the researcher. Then the researcher will explain it in the results section and discuss the GRDP growth with small trade. And another method that the author uses is the time series analysis method, which means analyzing based on previous data such as comparing data. It's like using data from the previous year and comparing it with data this year, because researchers also analyze data from 2017 to 2020. So, from that comparison, the percentage growth or decline in GRDP will be known.

**RESULTS AND DISCUSSION**

PDRB Lapangan Usaha (Seri 2010)	Distribusi PDRB Tahunan Provinsi Bali Atas Dasar Harga Berlaku Menurut Lapangan Usaha (Persen)			
	2020	2019	2018	2017
A Pertanian, Kehutanan, dan Perikanan	15.09	13.45	13.75	13.98
B Pertambangan dan Penggalian	0.95	0.87	0.94	0.99
C Industri Pengolahan	6.45	6.05	6.01	6.06
D Pengadaan Listrik dan Gas	0.22	0.23	0.24	0.24
E Pengadaan Air, Pengelolaan Sampah, Limbah dan Daur Ulang	0.19	0.17	0.17	0.18
F Konstruksi	10.59	9.56	9.35	8.94
G Perdagangan Besar dan Eceran; Reparasi Mobil dan Sepeda Motor	9.07	8.58	8.48	8.44
1 Perdagangan Mobil, Sepeda Motor dan Reparasinya	1.91	1.92	1.9	1.92
2 Perdagangan Besar dan Eceran, Bukan Mobil dan Sepeda Motor	7.16	6.66	6.57	6.52
H Transportasi dan Pergudangan	6.98	9.74	9.75	9.64
I Penyediaan Akomodasi dan Makan Minum	18.37	23.27	23.38	23.49
J Informasi dan Komunikasi	6.37	5.31	5.28	5.25
K Jasa Keuangan dan Asuransi	4.25	3.98	3.88	4.03
L Real Estate	4.43	3.88	3.88	3.99
M,N Jasa Perusahaan	1.15	1.04	1.05	1.05
O Administrasi Pemerintahan, Pertahanan dan Jaminan Sosial Wajib	5.68	4.92	4.95	4.93
P Jasa Pendidikan	5.88	5.14	5.13	5.08
Q Jasa Kesehatan dan Kegiatan Sosial	2.6	2.18	2.17	2.14
R,S,T,U Jasa lainnya	1.73	1.62	1.59	1.57
PRODUK DOMESTIK REGIONAL BRUTO	100	100	100	100

Picture 1 Annual GRDP Distribution of Bali Province Based on Current Prices by Business Field (Percent).

Source: BPS Bali Province, 2017-2020

Based on the data on the distribution of gross regional domestic product (GRDP) 2017 – 2020 in the province of Bali obtained by the authors above, it can be seen that from 2017-2019, the business fields that have the highest distribution percentage in GRDP growth in a row are the accommodation and accommodation sector eating and drinking, agriculture, forestry and fishing, and transportation and warehousing.

In 2020, the construction sector increased to 10.59 percent and exceeded the

## Ericko, Ervi Scorpianti, Jessy and Valiant Michelle

transportation and warehousing business fields. So that in 2020, the highest distribution percentage is owned by the sectors of providing accommodation and food and drink, agriculture, forestry and fisheries, and construction. Meanwhile, the percentage distribution of wholesale and retail trade sectors from 2017-2020 is 8.44, 8.48, 8.58, and 9.07 in percent. Thus, it can be seen that wholesale and retail trade also has a major contribution to GRDP growth in the Province of Bali, because the percentage level exceeds the average percentage value among business fields in the Province of Bali, namely 5.7 percent.

PDRB Lapangan Usaha (Seri 2010)	Pertumbuhan PDRB/Ekonomi Tahunan Provinsi Bali (y-o-y) Menurut Lapangan Usaha (Persen)				
	2020	2019	2018	2017	
A Pertanian, Kehutanan, dan Perikanan	-1.06	3.4	4.73	2.73	
B Pertambangan dan Penggalian	-4.28	-1.23	-2.65	-1.44	
C Industri Pengolahan	-6.78	6.85	5.69	0.8	
D Pengadaan Listrik dan Gas	-16.49	4.52	1.94	5.48	
E Pengadaan Air, Pengelolaan Sampah, Limbah dan Daur Ulang	-0.58	5.91	2.03	2.72	
F Konstruksi	-2.49	7.08	9.76	7.87	
G Perdagangan Besar dan Eceran; Reparasi Mobil dan Sepeda Motor	-6.95	7.52	7.52	7.84	
1 Perdagangan Mobil, Sepeda Motor dan Reparasinya	-12.8	5.6	6.13	3.29	
2 Perdagangan Besar dan Eceran, Bukan Mobil dan Sepeda Motor	-5.33	8.06	7.92	9.22	
H Transportasi dan Pergudangan	-31.79	4.69	6.13	5	
I Penyediaan Akomodasi dan Makan Minum	-27.52	4.82	6.7	9.03	
J Informasi dan Komunikasi	6.16	7.06	7.74	8.1	
K Jasa Keuangan dan Asuransi	-4.48	8.78	1.93	2.43	
L Real Estate	0.48	5.87	4.07	4.34	
M,N Jasa Perusahaan	-4.08	4.61	7.79	6.91	
O Administrasi Pemerintahan, Pertahanan dan Jaminan Sosial Wajib	-0.6	4.5	4.19	-1.6	
P Jasa Pendidikan	-0.59	4.98	7.38	7	
Q Jasa Kesehatan dan Kegiatan Sosial	2.84	5.97	8.59	8.44	
R,S,T,U Jasa lainnya	-6.45	7.61	8.37	7.85	
PRODUK DOMESTIK REGIONAL BRUTO	-9.31	5.6	6.31	5.56	

Picture 2 Annual GRDP/Economic Growth of Bali Province (y-o-y) by Business Field (Percent)

Source: BPS Bali Province, 2017-2020

According to the data in Table 4.2, it can be assessed that the GRDP growth in the Province of Bali has fluctuated every year from 2017-2020. The highest percentage growth rate was in 2018 with a value of 6.31 percent. Then there was a drastic decline in 2020, namely a decrease of -9.31 percent, due to the Covid-19 pandemic that occurred at the beginning of 2020. The wholesale and retail trade sector also experienced a consistent increase from 2017 to 2019 namely 7.84% (2017), 7.52 (2018 and 2019), but also experienced a decline in 2020 of -6.95 percent because of the current pandemic that affects GRDP which is decreasing from 2017 to 2020 but in 2018 there was a significant positive change for the industry in the city of Bali. However, it can be judged from the percentage growth rate of the wholesale and retail trade sector, that small and large industries have a significant contribution to GRDP growth with a percentage that exceeds the average GRDP of the city of Bali.

## CONCLUSION

From this research report, what the author can conclude is that there is a development in small industries in Bali Province, which makes the economy in Bali increase as well. Large or small industries have a major contribution to GRDP growth in

the Province of Bali. The recommendation for this research is that the government in Bali Province must maintain the economy so that it does not decline and continue to create new innovations so that it can develop more.

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