ROLE OF MINING AS A BASIS SECTOR IN SOUTH SUMATRA

by Mega Debiyanti, Imelda, Muhammad Subardin, Muhammad Teguh

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TABLE OF CONTENT

Committee of SEABC 2020 i
Foreword iv
Table of Content vii

Determinants of Faculty Members Job Satisfaction 1
Allan A. Lalosa, Alirose A. Lalosa

Overcoming the Covid-19 Pandemic Crisis in Korea: Major Lessons and Policy Implications 11
Choong Lyol Lee and Jaichung Lee

The Influence of Socio-Political on Iraq Accounting System in Iraqi Banks 35
Hasanian Salim, Mohammed Abdullah, and Reem Muhsin

Determining The Relationship Between Information Technology and Leadership Style (Case Study: Navy Research Institute of Bandar Anzali in Northern of Iran) 49
Mohammad Taleghani and Ataollah Taleghani

Developing Lecturer of Non-Public Universities in Vietnam 59
Tran Viet Anh

The Effect of Stress Arousal and Supervisor Support on Burnout in Local Government Internal Auditors 73
Agil Novriansa, Aryanto, and Burhanuddin

Financial Literacy and Retirement Planning: A Descriptive Study 81
Fida Muthia, Reza Ghasarma, Sri Andaiyani

The Effect of Good Corporate Governance, Intellectual Capital and Financial Performance of Corporate Social Responsibility 89
Sandra Sukma Embuningtiyas and Oktaviani Rita Puspasari

Role of Mining as a Basis Sector in South Sumatra 99
Mega Debiyanti, Imelda Imelda, Muhammad Subardin, Muhammad Teguh

Price Policy and Farmers' Welfare in Indonesia in The Short and Long Term: Dynamic Models 115
Azwardi, Sukanto, Nazeli Adnan, Arika Kurniawan, Hamira, Genta Ramzuni

The Effect of Audit Committee Attributes on Sustainability Reporting of Banks in Indonesia 125
Inten Meutia, Shelly Febriana K, Emylia Yuniarti

Earnings Management and Its Determinant (Study of Listed Companies on Indonesia Stock Exchange) 137
Ruth Samantha Hamzah, Efva Octavina Gozali, Nur Khamisah

Contagion Effect of Capital Market on Top- 10 European Union Countries With The Most Cases of Covid- 19 145
Mohamad Zulman Hakim, Dicky Taryana

ISBN 978-979-587-937-4

Performance Evaluation of Sriwijaya University Based on Performance Indicators of The Public Services Agency of Education 167
Anton Indra Budiman, Tertiarto Wahyudi, and Rina Tjandrakirana .D.P.

Online Food Delivery During Pandemic Covid- 9 179
Iisnawati, Aslamia Rosa, Ahmad Maulana

Spiritual Motivation and Religious Performance: A Case Study on Employees of Sharia Business Unit of Regional Development Bank in South Sumatera 189
Muhammad Ichsan Hadjri, Badia Perizade, Zunaidah

Social Mapping Indeks Desa Zakat (IDZ) on Zakat Community Development (ZCD) Program for Optimizing Zakat Empowerment 197
Nurida Isnaeni, Ridhwan, Sigit Indrawijaya

Does Financial Distress Has An Effects on Audit Report Lag? 209
Nur Khamisah, Anisa Listya, Nyimas Dewi Murnila Saputri

Analysis of Solvability and Profitability of State-Owned Enterprises (BUMN) Arround Palembang City Period 2014 - 2018 219
Muhammad Ichsan Siregar, Alghifari Mahdi Igamo, H. Abdullah Saggaf, Afriyadi Cahyadi

How Competence and Creativity Affect Teacher's Performance? 231
M. Iqbal Nurfauzan, Eeng Ahman, Budi Santoso

Analysis of The Effectiveness and Performance of The Regional Government Organizations Budget South Sumatra Province 243
Rahmi Anisa, Lukluk Fuadah, and Sukanto

Analysis and Design of Customs E-Audit 255
Joko Santoso, Tubagus Muhamad Yusuf Khudri

Analysis of Indonesian Labor Remittance Contribution Abroad on Device Reserves 271
Erlanga Pura, Syaipan Jambak, Mardalena, Ria Apriyanti

Change Leadership: Facing The New Normal Due To The 0 9 Covid Pandemi 289
Posma Sariguna Johnson Kennedy

The Effect of Government Internal Control System, Whistleblowing System, and Professional Internal Auditors Skeptisism on The Fraud Prevention of Financial Reporting 307
Ussy, Azwardi, Sa'adah

Herding Behaviour Indicators and Investment Decisions: Evidence From Indonesia and Malaysia 317
Arif Widodo Nugroho, Gede Wahyu Diatmika, Ari Warokka, Sumardi

Financial Literacy, Financial Behavior and Revenue on Investment Decisions Housewife in Palembang 331
Namirah Rachmalia, Yuliani Yuliani, Reza Ghazarma

ISBN 978-979-587-937-4

Effect of Sharia Accounting Knowledge, Religiosity, Social Environment, and Location on Decision of Saving in Sharia Commercial Banks 343
Emylia Yuniarti, Eka Meirawati, Rela Sari, Abu Kosim

The Effect of Loan Portfolio Diversification on Bank Stability With Market Concentration Moderation in Bank Buku III and IV Listed on The Indonesia Stock Exchange (BEI) 2013 – 2019 359
Novin Yustikarini, Dwi Nastiti Danarsari

Price Analysis Between Commodity Groups of Inflation in Banten Province in 2008-2018 371
Deswita Herlina, Amalia Romadhona

The Role of Financial Development on Monetary Stabilityin Indonesia: An Empirical Study 393
Muhammad Riswan, Aisyah Lian Sari, Rahayu

Shifting Legitimacy Strategies in Islamic Banking 399
Achmad Soediro, Media Kusumawardani, Fardinant Adhitama, Muhammad Farhan

Dissimilarity Index , Labor Supply and Length of Schooling on Wage Gap in Indonesia 413
Yunisvita, Muhammad Teguh, Rosmiyati Chodijah, Imelda

The Effect of Accountability, Dislosure, and Reporting on The Use of Village Fund Finances on Community Welfare 427
Dwirini, Abukosim, Meita Rahmawati

The Characteristics of Zakat, Infaq, Sadaqah and Wakaf (Ziswaf) Collection on Zakat Institution (Laz) in Palembang City 435
Fera Widyanata, Ahmad Syathiri, Fardinant Adithama

Financial Behavior During The Pandemic (Study Case of Housewives in Palembang City) 447
Ratna Juwita, Sri Megawati Elizabeth

Innovation Capibility on Labor Productivity (A Literature Review) 459
Fauzia Afriyani, Syamsurijal A. Kadir, Nurlina T. Muhyiddin, Rosmiyati Chodijah

Fertility Decline: Long and Short Run Effects on Economic Growth and Labor Markets in Southeast Asia 475
Anna Yulianita, Feny Marissa, Siti Rohima, Arika Kurniawan

Implementation of Fiscal Policies To The Establishment of A Balanced Budget in The South Sumatra Province 487
Syaputri Ayu Geby Gisela, Susetyo Didik, Sukanto, Ulum Muhammad Bahrul

Income Smoothing Analysis: Eckel Index Approach (Empirical Study of Go Public Property, Real Estate and Construction Companies) 493
Patmawati, Meita Rahmawati, Efva Octavina Donata Ghozali

Talent Management, Self-Efficacy, and Job Satisfaction: A Case Study of Hotel Employee in Palembang 501
Zunaidah, Didik Susetyo, Muhammad Ichsan Hadjri

ISBN 978-979-587-937-4

Good Corporate Governance, Economic Performance and Sustainability Report 509
Dirvi Surya Abbas, Arry Eksandy

How To Improve Application System To Survive in E-Wallets Industry 519
Iisnawati, Welly Nailis, Dessy Yunita

The Role of Fintech in Increasing Inclusion Financial in UMKM in South Sumatera 533
Liliana, Ariodillah Hidayat, M. Komri Yusuf, Syirod Saleh

Work Overload and Intention To Stay: An Investigation on The Mediation of Workplace Spirituality and Wellbeing At Work Among Millennial Teachers in Indonesia 553
Yuni Listiani, Fanny Martdianty

The Effect of Service Quality and Promotion on Customer Satisfaction Online Go-Ride Transportation Services in Palembang City 563
Ahmad Maulana, Nurkardina Novalia, Agung Putra Raneo, Wita Farla WK

The Effect of Camel Ratio on Financial Distress in Banking Company in Indonesia 579
Trie Sartika Pratiwi, Muhammad Hidayat, Muhammad Ichsan Siregar

Covid-19: The Influence and Government Policy on Indonesian Capital Market By Industry 585
Agung Putra Raneo, Nyimas Dewi Murnila Saputri

Concept To Market 595
Sumitro Sarkum, Abd. Rasyid Syamsuri, Supriadi

The Effect of Organizational Culture and Job Satisfaction on Turnover Intention" At BNI 46 Jakarta 619
Chandra S Haratua, Gultom Hamidah Lubis, Madha Komala

Analysis Of Potential Informal Entrepreneurs Using The Formalization Model (Case Study: Informal Sector Entrepreneurs In Palembang City) 629
Armansyah, Sukamdi, Agus Joko Pitoyo

Investment Decision, Funding Decision, Dividend Policy and Firm Value in Indonesian Bank 639
Muhammad Hidayat, Sri Maryati, Trie Sartika Pratiwi

Do Islamic Rural Banks Support Regional Economic Growth in Indonesia? 651
Ahmad Syathiri, Umar Hamdan, Fardinant Adhitama

Organizational Support and Its Influence on Objective Career Success 663
Wita Farla, Lina Dameria Siregar, Supardi A. Bakri

Analysis Influence of Investment Credit and Government Capital Expenditure on Interprovincial Development Inequality in Indonesia 673
Annisa Fitriyah, Bernadette Robiani, Rosmiyati Chodijah

Measuring Celebrity Endorser Credibility: The Source Model Approach 687
Dessy Yunita, Welly Nailis, Nofiawaty

ISBN 978-979-587-937-4

Role of The Sharia Industry in Increasing Economic Growth With The Implementation of Ict As A Moderating Variable 697
Berlian Karlina

Effect of Islamicity Performance Index on Sharia Profitability (Profit Margin) in Islamic Banking 707
Oktarini, Yusnaini, Achmad Soediro, Ainun Putri

Privacy Concerns in Personalized Advertising Effectiveness on Social Media 727
Lia Febria Lina, Adhy Setiyanto

Good Corporate Governance, Affective Commitment and Job Satisfaction in Regional Owned Enterprises 733
Agustina Hanafi, Mohamad Adam, Afriyadi Cahyadi, Muhammad Azmi

Effect of Individual Characteristics, Job Characteristics, Organizational Characteristics and Organizational Climate on Management Satisfaction Mediated By Work Motivation 747
Emi Wakhyuni, Nashrudin Setiawan

Crafting Strategic Maneuverability To Boost Business Performance 771
Hermas Kornelius, Innocentius Bernarto, Anton Wachidin Widjaja

Analysis of Green-Washing and Green Consumer Using The Rasch Model 781
Yulia Hamdaini Putri, Aslamia Rosa, Hera Mavilinda

The Effect of Job Satisfaction and Employee Engagement on Turnover Intention of Millennials Generation in Palembang 799
Lina Dameria Siregar, Yuliansyah M. Diah, Wita Farla WK

Building on The Improvement of Financial Performance of State-Owned Enterprises With The Principle of Transparency 813
Syarif Usman, Sulastri, Marlina Widiyanti, Yuliani

Human Capital, Social Capital, Wage and Prosperity: Formal Worker Cases 825
Nurlina T Muhyiddin, Aning Kesuma Putri, Liliana

Web-Based Mosque Financial Reporting System in Increasing The Receipt of Mosque Fund (A Case Study of Mosques in Indralaya) 837
Maya Sari Syama Yanti, Dwi Febianti, Debby Koesnadi Poetri, Ainun Putri, Muhammad Kahpi

The Use of Customer Accounting Information During Pandemic Era 849
Linda Hetri Suriyanti, Mentari Dwi Aristi, Syalma Yoreza

The Effect of Taxation Knowledge, Quality of Fiscus Service and Moral Obligation on Tax Amnesty Participants in Tax Office of Pratama Ilir Barat Palembang 857
Riski, Syamsurijal, Luk Luk Fuadah

Study on Several Determinants of Occupational Change in Hotel: A Review in Palembang 865
Sholahuddin Arsyad, Syamsurijal A Kadir, Nurlina T Muhyidin, Bambang B Soebyakto

ISBN 978-979-587-937-4

Meta Analysis Study: Employability Skills in Novice Workers For Reducing Unemption Levels 873
Ayu Nur Yaumil Akbar, Budi Santoso, Eeng Ahman

Good Governance in Building A New Image in The Directorate General of Immigration-Jakarta 885
Imas Komariyah, Muhammad Ishaq Ismail

Applying Lean Warehouse Approach in Warehouse Kd in Leading Automotive Manufacturer in Cikarang, Indonesia 897
Deri Maryadi, Febri wongiawan, Irfan Satriawan

Analysis of The Impact of Tourism Destinations Amount, Hotels Amount, Restaurant Amount, Labors Amount on Accommodation Sector Income, Food and Beverage in South Sumatera Province 911
Nia Kurnia, Bernadette Robiani, Rosmiyati Chodijah

The Effect of Islamic Social Report on Banking Performance Based on Maqasid Index in Indonesian Sharia Commercial Banks 925
Ainun Putri, Yusnaini, Achmad Soediro, Oktarini

The Impact of Tourism Sector, Foreign Investment and Economic Growth on Income Inequality in Sumatera Island 939
Reny Mardellya

Deposit Insurance, Market Discipline, and Bank Risk; Implications For Commercial Banks in Asean-5 953
Reza Ghasarma, Agung Putra Raneo, Dian Eka

The Effect of Media Engagement Toward Advertising Acceptance 961
Zakaria Wahab, Islahuddin Daud, Welly Nailis, Mohammad Eko Fitrianto

Determinants of Village Fund Management Accountability (Study on Villages in Sragen Regency) 969
Wiwin Juliyanti, Yohanes K. Wibowo

The Effect of Organizational Citizenship Behavior and Good Corporate Governance on Employee Performance Pt Bunda Bersama Bojonegara Kabupaten Serang 981
Rt. Erlina Gentari, Tubagus Fikran Maulana Taqiyyullah

Perceptions of Usefulness and Behaviors To Keep Using in The Implementation of Regional Management Information System Applications 987
Sri Maryati, Muhammad Ichsan Siregar, Anisa Listya

Website Quality As A Factor Affecting Customer Satisfaction and Repurchase Intention: The Webqual 4.0 Approach 993
Hera Febria Mavilinda, Yuni Adinda Putri, Akhmad Nazaruddin

ISBN 978-979-587-937-4

Creative Industry of Water Hyacinth During The Pandemic (Study on Micro and Small Enterprises in Semarang Regency, Central Java) 1015
Berta Bekti Retnawati, Marlon Leong, Bernadeta Irmawati

Income Distribution Inequality Due To Pandemic Covid-19 1033
Suparmono

Reaction of Share Prices in The Indonesian Capital Market To Event of Lawsuit Against The Result of The Indonesian Predential Election in 2019 1045
Taufik, Marlina Widiyanti, Samadi W Bakar, Suhartini Karim

The Influence of Financial Distress, Idlle Cash and Financial Statement Opinions on The Management of Local Government Silpa 1057
Abdul Rohman, Rochmawati Daud, Arista Hakiki

Analysis of Factors That Affect The Yield of Sharia Bonds (Sukuk) in Companies Listed on The Indonesia Stock Exchange 1079
Ria Mareta Sari

Analysis of Effect of Professional Zakat and Family Hope Program Funding on Mustahik Welfare in Ogan Ilir District 1091
M Endah Okky Pratama

The Effects of The Income, The Price, and The Location on The Demand For Simple and Healthy Houses (Rsh) in Palembang City 1097
Lina

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ROLE OF MINING AS A BASIS SECTOR IN SOUTH SUMATRA

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Abstract

This study aims to see the influence of the mining sector on economic growth in districts/cities and South Sumatra. The data used is secondary data sourced from the Central Statistics Agency of South Sumatra and districts/cities of South Sumatra in 2010-2018. The method used is Location Quetion analysis, and panel data regression. Result *Location Quotient Statistics* shows six districts whose mining sector is based, namely Muara Enim Regency, Lahat Regency, Musi Rawas Regency, Banyuasin Regency, PALI Regency, and North Musi Rawas Regency. *Dynamic Location Quotient*There is nine districts/cities in the future whose mining sector has the potential to excel, namely Ogan Komering Ilir Regency (OKI), Muara Enim Regency, Ogan Komering Ulu Selatan Regency, Ogan Ilir Regency, Empat Lawang Regency, Palembang City, Prabumulih City, Pagaralam City, and Lubuk Linggau City. The model used in this research is the Fixed Effect model. Based on the estimation results, it shows that mining does not have an insignificant effect on South Sumatra, but the mining sector does have an effect on the district/city level in South Sumatra. Thus, there is no resource course in the districts/cities of South Sumatra.

Keywords: *Mining, economic growth. Curse of Natural Resources, South Sumatra*

1. INTRODUCTION

Economic growth in various regions in South Sumatra is not the same, this is due to differences in economic growth in the area, natural resources owned, levels of community welfare, and policies that are very influential in the regional development process. Therefore, each region must be able to identify and understand the advantages and potentials of the region appropriately so that the objectives of economic development are appropriate to the problems and characteristics of each region. According to Djakpermana (2010) the level of development of a region and a measure of the success of a region's development from various economic sectors indirectly describe the rate of economic growth or an increase in the Gross Regional Domestic Product of an area.

The economy of the people in an area is said to experience growth if the growth of the Gross Regional Domestic Product (GRDP) according to constant prices continues to increase. Gross Regional Domestic Product (PDRB) is an indicator to measure the level of welfare in an area. The higher the value of the Gross Regional Domestic Product (PDRB) means that the high level of economic growth in an area is progressing. The level of community welfare can also be measured by the level of economic growth by optimally utilizing the potential of its resources.

From 2014 to 2018 there was a continuous increase in the value of the Gross Regional Domestic Product (PDRB) in South Sumatra Province. In 2018 the Gross Regional Domestic Product (PDRB) of South Sumatra at constant prices reached Rp. 298,569,335.15 million rupiah. Most of the economic growth in South Sumatra Province is contributed by the primary sector, namely the mining sector, which contributes 22.11 percent to the creation of the Gross Regional Domestic Product (GRDP). In the same period, the agricultural sector contributed 16.49 percent to the Gross Regional Domestic Product (GRDP). Thus, it can be said that the role of the primary sector still dominates the economy of South Sumatra.

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Table 1: Gross Regional Domestic Product Over 2010 Constant Prices by Business Field in South Sumatra Province (Million Rupiah), 2014--2018

BUSINESS FIELD	2014	2015	2016	2017 *	2018 **
Agriculture, Forestry and Fisheries	46,612,030.0	48,287,680.6	48,942,642.8	49,518,878.4	50,587,558.9
Mining and excavation	53,234,720.9	55,330,266,7	57,303,521.2	60,398,350.3	66,000,208.6
Processing industry	44,653,619.0	47,066,752.4	49,998,125.1	53,270,826.3	56,205,636.3
Procurement of Electricity and Gas	224,094.5	232,288.1	272,531.4	286,980.2	312,381.5
Water Supply, Waste Management,	277,892.2	296,429.3	300,907.6	313,343.8	338,297.9
Construction	28,374,729.6	28,393,621.4	30,862,675.8	33,616,272.1	35,496,014.1
Wholesale and Retail Trade;	23,675,111,7	24,520,210.3	26,650,805.5	28,699,601.0	31,020,239.6
Transportation and Warehousing	4,384,744.0	4,813,177,7	5,150,738.4	5,581,775.8	5,992,538.5
Provision of Accommodation and Food and Drink	2,752,586.4	3,024,309,7	3,331,901.8	3,603,378.3	4,077,321.0
Information and Communication	7,380,635.1	8,021,408,2	8,572,556.1	9,294,877.7	1,0013,076.6
Financial Services and Insurance	6,374,809.6	6,651,744.5	7,139,397.8	7,333,382,7	7,464,184.3
Real Estate	6,873,106.5	7,360,891.7	7,982,190,4	8,567,363.9	9,248,358.9
Company Services	253,966.7	265,172.8	282,412.2	304,817.6	333,793.6
Government administration, Defense and Social Security Compulsory	7,762,397.6	8,576,393.2	8,584,346.6	9,133,732.6	9,380,103.3
Education Services	6,863,227.5	7,405,478.6	7,612,253.0	7,628,058.4	7,835,390.4
Health Services and Social Activities	1,637,904.3	1,757,347.9	1,779,203.0	1,835,973.7	1,882,929.3
Other services	1,962,196.0	2,041,702.6	2,091,192.1	2,183,400.1	2,381,302.4
Gross domestic product	**243,297,771.50**	**254,044,875.63**	**266,857,400.76**	**281,571,013.06**	**298,569,335.15**

Source: Central Statistics Agency, South Sumatra Province in 2019 Figures

South Sumatra has abundant natural resources, one of which is mineral resources, namely mining. The mining sector is one of the largest contributors to the province of South Sumatra because the mining sector provides energy resources that are indispensable for the economic growth of South Sumatra. The mining sector also supports the economy of South Sumatra. Mahonye & Mandishara (2015) stated that real mining growth is an important factor in economic growth. Therefore, it can be seen that the mining sector has a big influence on the economy of South Sumatra based on the value of the Gross Regional Domestic Product (GRDP).

Mining Oil, natural gas, and coal are the largest natural resources owned by South Sumatra Province, which is the largest contributor. The greater the GRDP value produced by a district/city, the greater the contribution of the district/city in the formation of provincial GRDP, which indicates a better level of natural resource wealth.

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The largest level of contribution from the mining sector from year to year is contributed by the Musi Banyuasin Regency which has a lot of natural resources, especially oil and gas mining. The contribution given by oil and gas mining in Musi Banyuasin Regency reaches more than 50 percent, which is 60.01 percent of the total contribution of the mining sector in South Sumatra Province. The district of Musi Banyuasin relies on its economy in the mining and quarrying sector because the main source of its economy is supported by the mining and quarrying sector. Furthermore, Muara Enim Regency was 59.43 percent. Muara Enim Regency is one of the areas that have the potential for mining and quarrying business in South Sumatra Province, besides that Muara Enim Regency has oil and gas and coal resources. The next biggest contributions were Pali Regency, Lahat Regency, and Musi Rawas Regency respectively. The three districts have a similar economic structure. In general, mining and excavation business fields have an important role in the regional economy of each of these areas (BPS South Sumatra, 2019). The smallest Gross Regional Domestic Product (GRDP) was achieved by the City of Pagaralam. The city of Pagaralam is supported by the agricultural, forestry, and fishery sectors. The smallest Gross Regional Domestic Product (GRDP) was achieved by the City of Pagaralam. The city of Pagaralam is supported by the agricultural, forestry, and fishery sectors. The smallest Gross Regional Domestic Product (GRDP) was achieved by the City of Pagaralam. The city of Pagaralam is supported by the agricultural, forestry, and fishery sectors.

Fahriza & Hartono (2018) stated that the contribution of the oil and gas subsector to regional economic growth was in a positive direction. This means that the greater the contribution of oil and gas to the Gross Regional Domestic Product, the relatively higher the economic growth will be. The contribution of the oil and gas subsector in the mining and quarrying sector increases economic growth.

Considering that the mining sector is a non-renewable natural resource (a non-renewable resource), this mineral resource will gradually decline in quality and potential and its impact on economic development is decreasing. Based on the above background, this research discusses; (1) is the district/city mining sector a base sector ?; (2) how is the influence of the mining sector on economic growth in districts/cities?; (3) how is the influence of the mining sector on economic growth in South Sumatra?

2. LITERATURE REVIEW AND HYPOTHESIS DEVELOPMENT

Economic Growth Theory

The theory of pure export base was first developed by Tiebout. The economic base theory holds that the economic growth of a region is determined by the amount of increase in exports in that area. Economic activities are divided into the basis and non-basic activities. Basic activities are activities that encourage regional economic growth (Tarigan, 2005).

Non-base sector activities are sectors that depend on developments that occur on a basis sector will lead to changes in investment and consumption in the regions. In other words, the two sectors have a relationship with demand from outside the region. The base sector is related directly, while the non-base sector is related indirectly. If demand from outside increases, the base sector will increase and will also develop the non-base sector. Every growth in basic and non-basic sectors has a dual effect on the regional economy (Adisasmita, 2005).

The formulation of the economic base model, the Gross Regional Domestic Product (GRDP) of a region that is grouped into basic sectors and non-basic sectors. The base sector is a sector that supports the economy of a region. Thus an economy is formulated as follows:

$$Y = B + S \qquad 2.1$$

Where, Y = GRDP, B is the base sector and S is the non-base sector.

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The activities of the non-base sector are highly dependent on the development of the base sector so that the equation is as follows:

$$S = ao + a1Y \quad (2.2)$$

Where ao and a1 are constants. If equations 2.1 and 2.2 are combined then:

$$Y = [ao / (1 - a1)] + [1 / (1 - a1)] B \text{ or } Y = [ao / (1 - a1)] + [B / (1 - a1)] \quad (2.3)$$

For analysis purposes, the economic growth equation is as follows:

$$\Delta Y = [ao / (1 - a1)] + [1 / (1 - a1)] \Delta B \quad (2.4)$$

Where ΔY is an increase in regional Gross Regional Domestic Product (GRDP) and ΔB is an increase in the sector basis.

John P. Blair (1991) in Safrizal (2018) argues that the export base model is formulated using what is called the formal income model. In this model, the region's Gross Regional Domestic Product (GRDP) is shown in the equation:

$$Y = C + MI - MO \quad (2.5)$$

Where Y is the constant regional Gross Regional Domestic Product (GRDP), C is consumption, MI is the inflow of money due to export activities and MO is the outflow of money due to import activities

Because the discussion is related to growth which is an increase in added value to the production of food goods and services, an equation in the form of change Δ is made as follows:

$$\Delta y = [1 / (1-b + i)] \Delta Eo \text{ or } \Delta Y = k\Delta Eo. \quad (2.6)$$

Where k = 1 / (1-b + i) is a multiplier coefficient that can show the multiple effects of changes in exports on regional economic activity.

From these two equations, it can be concluded that the economic growth of a region is strongly influenced by the growth of the base sector in that area and that economic growth is positively related to the increase in the activities of the basic sector in that area. Changes in the economic growth of a region are largely determined by changes in the value of exports. Meanwhile, the effect can be determined by the magnitude of the multiplier coefficient owned by the region.

Economic growth in various regions is determined by several main factors, namely 1). Natural resources owned, 2). Availability of capital to process natural resources, 3). Availability of facilities and infrastructure (infrastructure) such as transportation and communication. 4). The existence of the right technology to manage resources. 5). The availability of quality and human resource skills for technology management. The availability of abundant natural resources is very good for supporting development. However, in developing countries, the availability of natural resources is often underutilized as well as possible, meaning that the use is not properly directed, it is impossible for the country concerned to experience economic progress as expected (Rapanna & Sukarno, 2017).

Solow in the theory of economic growth, explains that technology has an important role in driving the economic conditions of a region. Technology can be a "supplement" to create prosperity in society. One of the things to encourage economic conditions is to prioritize the leading or potential sectors that are owned by the regions. Thus able to create independence in the area. One of the leading and potential sectors is natural resources (Sukirno, 2013).
According to Adam Smith, in economic growth, there are the main elements of a country's production system, namely available resources, human resources, and owned capital stock. According to Adam

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Smith, natural resources are a container for community production activities. The amount of natural resources available is the maximum limit for a country's growth. This means that if these resources are not fully utilized, the population and capital stock will play a role in growth. But growth can stop when all-natural resources are fully used (Arsyad, 2010).

Natural Resource Curse Theory

The resource curse was first proposed by Richard M. Authy. According to Auty (1993) the curse of natural resources, namely the relationship between natural resource management and political instability in a country with abundant resource wealth. Countries that will be rich in natural resources can exploit their natural resources to achieve higher economic growth, often worse off than countries with small natural resources. According to Humphreys, Sachs, & Stiglitz (2007) explained, the resource curse is the failure of countries rich in natural resources to take advantage of the natural resources owned by these countries.

Paradoxically, despite the high hopes for wealth and vast opportunities that accompany the discovery and extraction of oil and natural resources, such gifts often become an obstacle to development.

The theory of the natural resource curse states that regions that have abundant natural resources, especially non-renewable natural resources such as mining and excavation, tend to have slow economic growth compared to countries with limited natural resources.

The abundance of natural resources in an area should be an advantage in an area to develop economic potential, but the fact is that in some regions it slows down the regional economy. The relationship between natural resource abundance and economic growth with a negative impact is what is known as the "natural resource curse". Suseno (2019) and Wahyuningsih (2019) explained that the mining sector has no effect and harms GDP, and harms economic development. The same research was conducted by David, Noah, & Agbalajobi (2016) regarding the contribution of the mining sector to the economy in Nigeria that the value of solid minerals has a positive impact on economic development in Nigeria. Inversely proportional to the research conducted Suharto, Hilmawan, & Yudaruddin (2015) there is a negative impact from the impact of natural resources.

This negative impact has occurred in several developing countries, which shows that countries rich in energy mineral resources such as Peru, Zambia, Nigeria experience slow economic growth compared to countries that are poor in mineral and energy resources such as Taiwan and South Korea (Auty, 1993; Rosser, 2007)

The phenomenon of the natural resource curse occurs when countries that have an abundance of natural resources that are supposed to have fast economic growth, low levels of poverty, and high levels of welfare tend to have low economic growth, high levels of poverty, and low social welfare.

Rosser (2007) states that although resource wealth is often associated with slow economic development, it does not mean it is the main cause but rather the political, social, and economic conditions in the country. Humphreys et al., (2007) there are three different transmissions. First, Dutch Disease. Second, the quality of a country's institutions. Third, fluctuating commodity prices.

In research Auty (1993) and Rosser (2007) classify the causes of the resource curse phenomena are as follows:

1. State income that continues to increase due to high exports of natural resources which causes the exchange rate of money ultimately reduces the production of manufactured goods (dutch disease or the Dutch plague).
2. Fluctuations in commodity prices and their disruptive effects such as unstable product prices in the market make it difficult to pay debts.

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3. The effects of political conditions such as being more focused on the distribution of profits and less on supervision and economic regulation

Research Hypothesis

1. There is an influence from the mining sector on economic growth in South Sumatra.
2. There is an influence from the mining sector on economic growth in 17 districts/cities in South Sumatra.

3. RESEARCH METHODOLOGY

The data used in this research is quantitative. namely by using secondary data from the Central Statistics Agency (BPS), the data used are Gross Regional Domestic Product (GRDP), economic growth, and the growth of the mining sector. The period in the study was 2010 to 2018 with the unit of analysis being South Sumatra Province and district/city level in South Sumatra.

This study uses descriptive analysis using the Statistical Location Quotient (SLQ) and Dynamic Location Quotient (DLQ) methods and quantitative analysis with time series regression and panel data regression methods as follows:

Descriptive analysis is used to determine the description of districts/cities whose mining sector is the basic sector. To find out that the mining sector in a district/city is basic, is measured by the Location Quotient (LQ) method which consists of two types, namely: Statistical Location Quotient (SLQ) and Dynamic Location Quotient (DLQ) (Kuncoro, 2019) is:

1. *Statistical Location Quotient (SLQ)*

$$SLQ_{it} = \frac{V_{ik}/V^k}{V_{ip}/V_p}$$

Information :

SLQ = Location Quotient statistics of sector i in the district/city
V_{ik} = GRDP value of sector i district/city
V^k = Total GRDP of all sectors in the district/city
V_{ip} = PDRB value in sector i South Sumatra
V_p = Total GRDP in all sectors of South Sumatra

Possible SLQ values obtained:

1. SLQ > 1: means that sector i is the base sector in the district/city.
2. SLQ < 1: This means the sector i area is not the base sector in the district/city.
3. SLQ = 1: means that sector i is the base sector in regencies/cities and South Sumatra.

2. *Dynamic Location Quotient (DLQ)*

$$DLQ_{it} = \left[\frac{(1+g_{ij})/(1+g_j)}{(1+G_j)/(1+G)}\right]\frac{IPPS_{ij}}{IPPS_j}$$

Information:

DLQ_{it} = Potential index for sector i in the district/city
g_j = The growth rate of sector i in the district/city
G_j = The rate of growth in sector i in the province of South Sumatra
g_i = Average growth rate in districts/cities
G_i = average growth rate in the province of South Sumatra

The DLQ values are as follows:

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1. DLQ < 1 means that the development of sector i in the province is faster than in districts/cities and sector i cannot become a base sector.
2. DLQ > 1 means that the development of sector i in the province is slower than in the district/city and sector i can become the base sector.

Table 2: Classification of Sectors based on the Combined Value of SLQ and DLQ

Criteria	DLQ < 1	DLQ > 1
SLQ < 1	Underdeveloped sectors that are not yet superior (I)	The sub-sector is not yet superior with the potential for superiority (II)
SLQ > 1	Leading subsectors that are no longer potential (III)	Leading subsectors that still have excellent potential (IV)

Source: (Kuncoro, 2019)

Quantitative analysis to determine the mining sector on economic growth in South Sumatra. This study was conducted to answer the second research objective, to determine the effect of the mining sector on economic growth in districts/cities and South Sumatra Province. First, to determine the mining sector on economic growth in South Sumatra, this model uses a variety of economic growth and the growth of the mining sector in South Sumatra. The model is then structured as follows:

$$PE_{sumsel} = \alpha + \beta 1\ GMining_t + \beta 2\ PE_{sumselt-1} + e \quad \ldots\ldots\ldots\

4. RESULTS AND DISCUSSIONS

Based on the results of the Statistical Location Quoetient (SLQ) analysis for the mining and quarrying sector, six districts show it as a base sector, namely Muara Enim Regency, Lahat Regency, Musi Rawas Regency, Banyuasin Regency, PALI Regency, and Musi Rawas Regency. For Muara Enim Regency, it is clear that the resulting index is large because Muara Enim Regency has economic resources that rely on the mining and quarrying sector.

Districts/cities whose mining sector is based can meet their own needs in the mining sector and allow for exploration and exploitation. Economic activities in the basic sector produce goods and services that can be sold outside the region to increase regional income. Increasing activities of the basic sector in the area will increase revenue into the region concerned, thereby increasing the demand for goods and services produced.

Based on the results of the Dynamic Location Quoetient (DLQ) analysis, it can be seen that the mining sector that has the prospect of becoming a base and has the potential to become a leading sector in the future is found in nine districts/cities, namely Ogan Komering Ilir Regency (OKI), Muara Enim Regency, Ogan Komering Ulu Selatan Regency, Ogan Ilir Regency, Empat Lawang Regency, Palembang City, Prabumulih City, Pagaralam City, and Lubuk Linggau City. This means that in the future the mining sector in these nine districts/cities will be the basis for the mining sector and can become a leading sector to support the district/city economy.

Table 4: Table of Mining Sector Classification based on Comparative Analysis

Criteria	DLQ < 1	DLQ > 1
SLQ < 1	The sub-sector is not superior yet has the potential to be superior (I) Ogan Komering Ulu Banyuasin East OKU	The sub-sector is not yet superior with the potential for superiority (II) Ogan Kumering Ilir South OKU Ogan Ilir Four Lawang Palembang Prabumulih Pagaralam Lubuk Linggau
SLQ > 1	Leading subsectors that are no longer potential (III) Lahat Musi Rawas Banyuasin Museum Pali Muaratara	Leading subsectors that still have excellent potential (IV) Muaraenim

Source: Central Statistics Agency, data processed with Eviews 8.0

Based on the classification results of the mining sector based on comparative analysis, it can be seen that Lahat Regency, Musi Rawas Regency, Musi Banyuasin Regency, PALI Regency, and North Musi Rawas Regency which are included in the III classification are areas whose mining sector is superior based on the results of the Static Location Quoetient (SLQ) but These five districts have become leading sectors that have no potential to excel in the future based on the results of the Dynamic Location Quoetient (DLQ). Musi Banyuasin Regency The mining sector plays a big role in the economy of Musi Banyuasin Regency. Musi Banyuasin is an oil and gas source area on the island of Sumatra. Mining goods in Musi Banyuasin Regency such as oil and natural gas. This is because the high dependence of the economy on the mining sector has led to higher economic growth, thus depleting gas reserves which makes the operating costs for exploration expensive.

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The mining sector is closely related to the productivity of oil and gas production and the availability of existing oil and gas reserves. Several oil and gas sources such as oil and gas wells in several districts of South Sumatra have entered an "old well" condition so that the level of oil and gas production is increasingly limited. The dependence on oil and gas commodities is reflected in the low growth rate of the mining sector in districts/cities that have the potential for oil and gas such as Musi Banyuasin Regency, Lahat Regency, Musi Rawas Regency (Central Statistics Agency of South Sumatra, 2018).

In the fourth classification, there is Muara Enim Regency which remains a leading sector and still has potential in the future. Muara Enim Regency is the main coal-producing area in South Sumatra Province which contributed 34.99 percent in 2018. There is the largest coal company in South Sumatra which is located in Muara Enim Regency, namely PT. Bukit Asam. PT Bukit Asam annually experienced an increase in producing coal in 2010, the amount of coal production reached 11.971796 tons, increasing to 19,455,781 tons (Central Statistics Agency of Muara Enim Regency, 2018). Besides, there is a boost to the capacity of human resources to exploit and explore new gas reserves. The ability of the community in this activity has an impact on regional income.

Ogan Komering Ulu Regency, Banyuasin Regency, and Ogan Komering Ulu Timur Regency are in Class I which in the future the mining sector is not yet superior and has no potential. The mining sector in this district does not have the potential to develop the mining sector because the mining reserves are not yet available in the district and the contribution contributed by the district is too low, which is below one percent (Central Statistics Agency of South Sumatra, 2018).

While in classification III there are Ogan Komering Ilir Regency, Ogan Komering Ulu Selatan Regency, Ogan Ilir Regency, Empat Lawang Regency, Palembang City, Prabumulih City, Pagaralam City, and Lubuk Linggau City, the mining sector is not yet superior and has the potential to be superior in the future. As in Prabumulih City, the mining sector can have the potential to excel through good management in finding new mining sources, so that the mining sector becomes a source of income for the community in the area. For now, the government has not yet seen the potential that exists in the mining sector, because the region's economy still depends on the agricultural sector. Besides, in Ogan Komering Ilir (OKI) the economic growth of the mining sector was high at 7.28 percent (Central Bureau of Statistics of Ogan Komering Ilir Regency, 2018). Therefore, there is a need for the role of government and society in seeing the potential of the economic structure.

Human resources also play an important role in managing natural resources, if human resources are not able to utilize and manage the mining sector properly, the mining sector is not utilized properly.

Time Series Regression Analysis

The Influence of Mining on Economic Growth in South Sumatra

Based on the results of time series estimates, the growth of the mining sector has no significant effect seen from the prob value. the mining variable is 0.2739 and the pe_leg 1 variable is 0.2099, which is greater than 0.05 and has a positive effect on economic growth in South Sumatra, seen from the coefficient value of the variable which has a positive sign, namely the mining variable of 0.1966 and the pe_leg 1 variable of 0.38411.

The significance of the independent variable is indicated by the F-statistic probability value of 0.1739 greater than 0.05. So that the economic growth of the mining sector does not have a significant effect simultaneously on economic growth in South Sumatra.

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Table 5: Results of Economic Growth Regression in South Sumatra

Variable	Coefficient	Prob
C	2,544,928	0.162
MINER_S	0.196643	0.1739
PE_LEG1	0.384117	0.2099
R-squared	0.420288	
F-statistic	2.174985	
Prob (F-statistic)	0.194821	

Source: Central Statistics Agency , data processed with Eviews 8.

Panel Data Regression Analysis

Panel Data Estimates

There are three techniques in the approach in estimating the panel data regression model, namely: Pooled Least Square (Common Effect) Model, Fixed Effects Model (Fixed Effect), and Random Effects Model (Random Effect). In selecting an estimation model from panel data, tests are carried out to ascertain which model is used in the analysis.

Table 6: Estimation Results of The Panel Data Model with The GRDP Variable

Variable	Coefficient	Std. Error	t-count	Prob
Common Effect Model				
C	4.506248	0.134871	33.41155	0.0000
MINER	0.160943	0.044510	3.615888	0.0004
DLQ	-0.081003	0.217445	-0.372520	0.7100
Fixed Effect Model				
C	4.489461	0.125738	35.70481	0.0000
MINER	0.091187	0.045137	2,020235	0.0454
DLQ	0.225443	0.217673	1.035695	0.3022
Random Effect Model				
C	4.499109	0.160788	27.98154	0.0000
MINER	0.131563	0.042923	3.065115	0.0026
DLQ	0.048135	0.208470	0.230897	0.8177

Source: Central Statistics Agency , data processed with Eviews 8.0

Testing Chow is used to determine whether the Common Effect or Fixed effect model is used. Based on the results of testing the cross-section probability value F of 0.0018, it can be concluded that the probability of the Cross Section is less than 0.05 percent. Thus, the suitable model hypothesis is the Fixed Effect model.

Table 7: Chow Test Results

Effects Test	Statistics	df	Prob
Cross-section F	2,548,304	-16,134	0.0018
Chi-square cross-section	40.644056	16	0.0006

Source: Central Statistics Agency , data processed with Eviews 8.0

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Furthermore, the Hautsman test for selecting the model between the Fixed Effect and the Random Effect. The results of the Hautsman test are the Prob value. The random cross-section of 0.015 indicates that the Chi-square probability value is smaller than 0.05, so the suitable model is the Fixed Effect model.

Table 8: Hautsman Test Results

Test Summary	Chi-Sq. Statistics	Chi-Sq. df	Prob.
Random cross-section	8.392956	2	0.015
Chi-square cross-section	40.644056	16	0.0006

Source: Central Statistics Agency , data processed with Eviews 8.

Based on the results of the Chow Test and the Hautsman Test, there are the same results, namely the selected Fixed Effect model. So, the model used in this study is the Fixed Effect model.

Based on the estimation results of the Fixed Effect method, it shows that the growth variable of the district/city mining sector has a significant effect on the district/city economic growth variable as indicated by the probability of the variable being smaller than 0.05 (α) which is 0.04, while the Dynamic Location Quotient (DLQ) variable has no significant effect on the growth variable. district/city economy which is indicated by a prob value of 0.3022 which is greater than 0.05 percent. With an R2 value of 0.52 which indicates the magnitude of the influence of the dependent variable is 52 percent and the remaining 48 percent is influenced by other variables.

Table 9: Regression Estimation Results with Fixed Effect Methods Growth of the Mining Sector in Regencies/Ccities and LQ on Economic Growth in Districts/Cities of South Sumatra.

Variable	Coefficient	Prob
C	4.489461	0.0000
MINE?	0.091187	0.0454
DLQ?	0.225443	0.3022
R-squared	0.585377	
Adjusted R-squared	0.529682	
F-statistic	1,051,030	

Source: Central Statistics Agency , data processed with Eviews 8.0

In the two analysis equations using panel data and time-series data.
This equation has different individual characteristics and different accommodation times at the intercept of each region as well as different constants. Then the model equation will be different. Based on these two equations, there are two estimation results as follows;

$PE_{sumsel} = \alpha + \beta 1\ GMining_{it} + \beta 2\ PE_{sumselt-1} + e$.....(1)

$PE_{sumsel} = 2.544928 + 0.196643\ GMining_{t} + 0.384117\ PE_{sumselt-1} + e$

$R^2 = 0.420870$ Fstatistic = 2.180187 DW = 0.75

$PE_{it} = \alpha + \beta 1\ GMining_{it} + \beta 2\ DLQ_{it} + e$.....(2)

$PE_{it} = 4.489461 + 0.091187\ GMining_{it} + 0.225443\ DLQ_{it} + e$

(35.70481)** (2.020235)** (1.035695)**

$R^2 = 0.585377$ Fstatistic =10.51030 DW = 1.665585

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The interpretation of the regression results of the influence of the growth of the mining sector in South Sumatra on economic growth in South Sumatra in 2010 to 2018 and the influence of the base sector and the growth of the district/city mining sector on the economic growth of districts/cities in 2010 to 2018 are as follows:

The Influence of Growth in the Mining Sector on Economic Growth

From the results of the regression analysis, it is known that the mining sector (through the growth of the South Sumatra mining sector on the economic growth of South Sumatra) has a positive and insignificant impact on the economy of South Sumatra. This result may be due to political and institutional failures, because most of the actors are economic rents, as a result of the economic conflicts in the region. These results are in line with Sueno (2019) conclusion that the coal and mineral mining sector does not have a significant impact on the formation of the structure of the Gross Domestic Product. These results are reinforced by research (Hilmawan et al., (2016) which states that a sector that contributes greatly to GRDP does not automatically place this sector as the main sector in developing other sectors, where the mining sector has not been able to develop other economic sectors and does not provide a strong link to encourage and attract economic sectors.

Based on the theory, natural resources are one of the determining factors for economic growth. Non-renewable natural resources such as mining can affect economic growth in an area, but in the case of South Sumatra Province, this is different. The mining sector in South Sumatra is one of the sectors that makes the largest contribution to the formation of Gross Regional Domestic Product, but its high contribution is not comparable to the growth in the mining sector. It can be seen from the contribution of the mining and excavation sector which continues to increase every year, but on the other hand, the percentage of growth in the mining sector has fluctuated and tends to grow slower than economic growth (Saleh & Suseno, 2017). Besides, when compared with the average percentage growth of the mining sector with the growth of other sectors, the mining and quarrying sector has an average growth of less than 5 percent.

Indications can be seen from the Province of South Sumatra, which has received a high contribution from the mining sector it experiences a high poverty rate. The percentage of poor people in South Sumatra reached 12.82 percent in 2018. This shows that the mining sector has not been able to increase the standard of living of the local community, due to the community's ability to work in that sector. The quality of human resources is often identified from the level of education. The higher the level of education of a person, it is expected that the higher the productivity and the higher the income and the greater the chance to be classified as less poor.

Meanwhile, the results of the growth of the mining sector in regencies/cities in South Sumatra on the economic growth of districts/cities in South Sumatra show that individually and simultaneously the results are positive and significant. This result means that the higher the growth of the mining sector, the economic growth of districts/cities in South Sumatra will also increase.

These results indicate that the mining sector has a positive impact on the economic growth of districts/cities in South Sumatra, there are no symptoms of the resource curse in the management of the mining sector in districts/cities that have a mining sector. These results are in line with research Fahriza & Hartono (2018), who concluded that in Indonesia there is no resource curse phenomenon between oil and gas resources and other resources.

Increased economic growth in the districts/cities of South Sumatra due to the influence of natural resources does not always promote welfare. Many natural resources stimulate economic growth but may also have insignificant effects on the regional economy, such as the growth of the mining sector in South Sumatra on economic growth in South Sumatra because of its impact which distorts the structure

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and allocation of economic resources. This is in line with researchWahyuningsih (2019) that the mining sector has a negative impact and tends to decline on the development of the East Kalimantan region, but the mining and quarrying sector is still basic.

The Effect of Base Sector Growth on Economic Growth

In the results of the regression analysis seen from the results of fixed-effect regression, it is known that the regression coefficient of the Dynamic Location Quotient (DLQ) variable shows a positive result of 0.225443. The coefficient is positive, meaning that the Dynamic Location Quotient (DLQ) variable has a positive relationship with economic growth. This means that if the Dynamic Location Quotient (DLQ) increases by 1 percent, then economic growth will increase by 0.22 percent, assuming other factors outside the variables are considered constant.

Following the theory that the basic sector is the main determinant of the economic growth of a region, the existence of a base sector can encourage regional economic growth. The base sector can produce goods or services that will later benefit and cause regional economic growth to increase. With the increase in basic activities, the income in an area has increased.

The base sector has no significant effect on economic growth seen from the prob value. the estimation result of the fixed effect method regression is 0.3022 greater than 0.5 percent. This can be caused by the mining and excavation sector which is the base sector in districts/cities in South Sumatra, which over time the mining and excavation sector becomes a leading sector but in the future, it will not have the potential to excel again. The same result was carried out by Hlavová (2015) For countries dependent on mineral resources, the results of the correlation and regression analyzes were not statistically significant.

An area whose mining sector is based does not guarantee its economic success, because the natural resources are depleting over time, and gas reserves are decreasing. The depletion of stocks causes commodity prices to increase and results in reduced purchasing power and decreased economic income and makes it difficult to maintain its sustainability in the long term. This is due to the lack of new investment in the mining sector, without exploration and discoveries in the future production will decline.

It can be seen from the results of the classification of the mining sector based on a comparative analysis of districts/cities in South Sumatra, there are five areas whose mining sector is superior but in the future, there is no longer potential to excel, namely Lahat Regency, Musi Rawas Regency, Musi Banyuasin Regency, Pali Regency, and Regency. North Musi Rawas. The district explained that regions that are rich in natural resources will gradually run out because these areas always depend on these resources without doing proper processing and neglecting other potential sectors. The dependence of the district on natural resources is not the right thing, because the growth sector is temporary or limited to how much reserves it has.

In the oil and gas mining sector, a common obstacle is the high operating costs for exploration and exploitation. Even though large reserves of new gas have been discovered, the effects of these exploitation activities will be visible after some time. The ability of the community to carry out consumption and investment activities is also affected by fluctuations in commodity prices which have a significant impact on income. The role of government consumption, like most other regions, still depends on balancing funds, especially from the sharing of natural mineral resources.

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5. CONCLUSION

Based on the results of the discussion, it is concluded that the influence of the independent variables on the dependent variable during the period 2010 to 2018 with the objects of several districts/cities in South Sumatra is as follows:

(1) the calculation result of the Statistic Location Quotient (SLQ) six districts show as a basic sector, namely Muara Enim Regency, Lahat Regency, Musi Rawas Regency, Banyuasin Regency, PALI Regency, and Musi Rawas Utara Regency. And the calculation results of the Dynamic Location Quotient (DLQ), there are nine districts/cities Ogan Komering Ilir Regency (OKI), Muara Enim Regency, Ogan Komering Ulu Selatan Regency, Ogan Ilir Regency, Empat Lawang Regency, Palembang City, Prabumulih City, Pagaralam City, and Lubuk Linggau City means the mining and excavation sector in these districts/cities are several the next year will have the potential to become a superior;

(2) the mining sector has a positive and significant impact on economic growth in districts/cities, while in South Sumatra the mining sector has a positive but insignificant effect. About Gross Regional Domestic Product, there are no symptoms of the resource curse in the management of the mining sector in the regencies/cities of South Sumatra.

LIMITATION AND STUDY FORWARD

This study has several limitations, namely the mining sector which is only seen from the growth of the mining sector to the growth of districts/cities in South Sumatra. For further research, other more specific indicators can be used, such as the contribution of the mining sector, profit-sharing funds, the export value of the mining sector, and other assessments. Besides, this study only includes analysis at the district/city level in South Sumatra so that further research can use it to analyze at the level of areas in Indonesia with abundant resources such as in Kalimantan and Papua islands and examining the results of existing research. Furthermore, adding data also needs to be done so that the analysis that will be carried out can be seen in a long time.

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