

Regional Economic Analysis: A Development from the Periphery Approach for Equitable Development: A Case Study in Bandar Lampung City

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Abstract

Inter-regional inequality is one of the biggest challenges in economic development, particularly in developing countries. The concept of "peripheral development" has emerged as an approach to creating more equitable growth by empowering disadvantaged or non-core regions. This article analyzes this approach from a regional economics perspective, using the theoretical framework of economic bases, location theory, growth centers, and the new economic geography model. The analysis shows that peripheral development requires a combination of policies including infrastructure improvements, local economic downstreaming, human resource development, and the creation of new growth centers. This study confirms that peripheral-based development can increase the competitiveness of Bandar Lampung City while reducing national inequality if supported by integrated policies.

Keywords: regional economics, periphery, growth centers, regional inequality, regional development of Bandar Lampung City .

Introduction

Indonesia, including Lampung Province, is currently facing the Middle Income Trap. To avoid this, Lampung Province's economic growth must be high-quality. This requires sustainable development, particularly improving the living standards of the Middle Class population, to drive the provincial economy. As a province located closest to the nation's capital on the island

of Sumatra, this raises the question of why Lampung remains a poor region compared to several other provinces on the island. Data from the Lampung Statistics Agency (BPS) in 2024 shows that the poverty rate in Lampung was recorded at 14.39%, or 1,134,280 people. In terms of percentage, Lampung is ranked third in the poorest region after Bengkulu (17.35%) and Aceh (17.72%). This figure is also higher than the national poverty rate of 11.47%.

The analysis of the BPS data illustrates that Lampung Province is currently still a poor province, both regionally and nationally. This also means that the development undertaken by the Lampung Provincial Government has not had a significant impact on the progress of Lampung's economic development, so it has not been felt by the wider community in this province. This stagnant growth is due to the fact that Lampung Province's economic activities have so far been unable to escape the middle-income trap. The orientation of provincial development remains focused on exploiting natural resources, rather than strengthening the processing industry base based on Lampung's natural resources. The middle-income trap is not a time-bound challenge. This means there is no time limit on when a country stops at the middle-income level before moving up to a higher level.

Indonesia's continued absence from a higher class proves that the country has been stagnant for the past several years. Therefore, it's understandable that concerns are emerging about being trapped in this situation for an indefinite period. Therefore, an economic development orientation lacking a strong commitment to strengthening the manufacturing industry base must be abandoned. Furthermore, it's time for Lampung Province to shift its focus from mere quantity to quality. The middle income is actually characterized by a dominance of quantity, rather than quality. The longer we remain trapped in this practice, the longer we remain stuck at the middle income level.

Therefore, it's time for Lampung to focus on improving the quality of its products, from industrial products to human resources. Therefore, an analysis is needed to determine the quality of economic growth in Lampung

Province. This is quite important because the Lampung Provincial Government has always been the scapegoat for Lampung's economic downturn, even though the Regency/City Development should play a major role in shaping Lampung's economy. The purpose of this study is to analyze the concept of building from the periphery from a regional economic perspective and identify relevant strategies and challenges.

Research methods

This type of research is quantitative research. The type of data used in this study is secondary data presented in the form of time series data for 5 years, namely 2020–2024. The location of this research focuses on Bandar Lampung City. The sampling technique in this study is Nonprobability Sampling with the Purposive Sampling method. The criteria used include the percentage of poverty rates, economic growth, and unemployment rates, all of which are presented in the form of time series data. The number of research samples is $n = 5$, consisting of 5 years of observation (2020–2024). Nonprobability Sampling is a sampling method used when elements of a population are unknown or do not have an equal chance of being selected in the study. While Purposive Sampling is a sampling technique based on certain criteria according to the research objectives. The type of data used in this study is secondary data obtained from official sources, namely the website of the Central Statistics Agency (BPS).

Literature review

Economic Basis Theory

Economic Base Theory explains that a region's growth is heavily influenced by the base sector serving external markets, while the non-base sector merely follows that growth (North, 1955). For outlying regions, base sectors such as superior agriculture, fisheries, crafts, and renewable energy can be engines of growth.

Economic Development Theory

Economic Development According to Sukirno (2000), economic development is economic growth coupled with change. This means that the presence or absence of economic development in a country in a given year

is not only measured by the increase in production, prices, and services that apply from year to year, but also needs to be measured by other changes that occur in various aspects of economic activity such as educational development, technological development, improvements in technology, improvements in health, improvements in available infrastructure and increases in income and community prosperity. Therefore, economic development encompasses various aspects of change in economic activity, so that the level of economic development achieved by a country has increased.

According to Todaro (2003), the economic development process can be divided into five stages. First, traditional society, which is the stage when production activities are still primitive and people's lives are still heavily influenced by irrational values derived from inherited customs, with the agricultural sector as the main sector. Second, the preconditions for take-off stage, which is the transition phase when people begin to prepare themselves for increased economic growth, begin to realize the importance of savings, thus encouraging increased investment, and find more efficient production methods to reduce costs. Third, the take-off stage, which is a phase with drastic changes compared to the previous two stages, marked by the emergence of new innovations, the opening of new markets, increased investment, and accelerated growth rates followed by the development of one or several industrial sectors with very high growth rates (leading sectors). Fourth, the stage towards maturity, which is when society has been able to use technology effectively to increase production activities, and at this stage a new leading sector emerges to replace the old leading sector. In line with that, Jhingan (2010) proposed several requirements for economic development, namely: development must be based on the capabilities of the domestic or regional economy, where the initiative to improve fate and create material progress must come from the community; development must be able to eliminate market imperfections that hinder the mobility of production factors and sectoral expansion; structural change must occur, namely the transition from a traditional agricultural society to

an industrial society characterized by the expansion of the secondary and tertiary sectors and the narrowing of the primary sector; and finally, capital formation is needed as an important and strategic factor in driving the economic development process.

Regional Economic Development Theory

According to Syafrizal in Basuki and Gayatri (2009), in an effort to achieve regional economic development goals, the main policy that needs to be implemented is to make every effort to ensure that regional development priorities align with the development potential of each region. This is related to the development potential that varies greatly from region to region, so each region must determine its dominant economic sector activities. According to

According to Suparmoko (2002:99), there are several steps in preparing a regional potential development strategy. First, identify activity sectors that have the potential for development by considering the strengths and weaknesses of each sector. Second, identify sectors with low potential for development and identify the factors causing the low potential of these sectors. Third, identify existing resources or production factors, including human resources, that are ready to be used to support the development of each related sector. Fourth, use a weighting model for the strengths and weaknesses variables for each sector and subsector to identify the mainstay sectors that are then considered the main economic potential in the region. Finally, determine the development strategy for the mainstay sectors that are expected to attract other sectors to grow, so that the regional economy can develop independently (self-propelling) in a sustainable manner (sustainable development).

Results and Discussion

Policy Recommendations

Based on the analysis, strengthening economic growth in the outlying areas of Bandar Lampung can be achieved through several integrated strategies. First, local infrastructure development needs to be prioritized, particularly

by building or improving connecting roads between outlying areas and the city center and markets, as well as providing micro-logistics facilities such as small warehouses and cold storage to support MSMEs and the agricultural sector. Second, empowering MSMEs and home industries can be done through business management training programs, digital marketing, and product standardization, which are then strengthened by facilitating business incubation in outlying sub-districts to enable local entrepreneurs to scale up their businesses. Third, expanding access to microfinance is achieved by building partnerships between the city government and local financial institutions such as BPRs and cooperatives to provide conditional microcredit with low interest or subsidies, as well as local grant schemes for innovative economic activities such as urban agribusiness and local craft production.

Furthermore, strengthening local institutions is a crucial prerequisite through the establishment of producer associations in peripheral areas—for example, associations of urban vegetable producers or small-scale livestock farmers—so they can share resources, market information, and enhance collective competitiveness. Sub-district government institutions also need to be actively involved in local economic development planning to ensure that policies are aligned with the specific characteristics and needs of peripheral areas. In addition, local investment initiatives can be encouraged through the provision of tax incentives, such as local tax exemptions for investors investing in peripheral areas, and the promotion of social investments oriented towards sustainable development, such as urban agriculture projects or peripheral ecotourism. Finally, all these interventions must be supported by systematic monitoring and evaluation mechanisms, including the development of a GRDP growth dashboard per sub-district to monitor program impacts, and quarterly or annual evaluations to assess the effectiveness of economic empowerment projects in peripheral areas and to make ongoing policy adjustments.

Macroeconomic Performance of Bandar Lampung City

Overall, Bandar Lampung's economy has shown a positive growth trend, despite fluctuations due to the pandemic. High urban activity makes the city a major contributor to Lampung Province's GRDP.

BPS data shows that economic growth in the Lampung Province region (where Bandar Lampung is a major contributor) is quite stable and positive.

Table 1 Economic Growth

Indicator	Economic Growth (y-on-y)	Year/Period	Data source
PDRB of Lampung Province	4.55%	2022	Statistics Indonesia of Lampung Province
PDRB of Lampung Province	4.57%	2023 (Projection/Preliminary Data)	Statistics Indonesia of Lampung Province
PDRB of Lampung Province	5.47%	First Quarter – 2024	Statistics Indonesia of Lampung Province

Source: BPS 2025

Note: Specific quarterly economic growth data for Bandar Lampung City is usually part of the BPS Regency/City release.

Main Sector Contribution

The economic sectors that provide the largest contribution to the PDRB of Bandar Lampung City generally come from the Manufacturing Industry and Wholesale and Retail/Services sectors.

Table 2: Economic sectors and GRDP

Economic Sector	Contribution to GRDP (2019)
Processing industry	21.39%
Wholesale and Retail Trade	<i>Specific data varies, but includes the top 3.</i>

Dynamics of Development in Outlying Areas

Research shows that the physical, economic, and socio-population development of Bandar Lampung City is currently centered on the city's outskirts. This development is driven by the availability of more extensive and affordable land, as well as the development of road infrastructure that creates new access and activity centers.

Physical Aspects, The emergence of suburban housing complexes (such as in Way Halim District or further areas) and the conversion of agricultural land into residential, commercial or service areas along transportation routes.

Economic Aspects: The growth of new trade and service centers in outlying areas (for example, areas around campuses, new terminals, or toll road access). Subdistricts such as Korpri Jaya (formerly on the outskirts) have been identified as having significant potential in the trade and service sector due to their location.

The Role of Infrastructure

Infrastructure development (including the nearby Trans-Sumatra Toll Road and Panjang Port) has significantly influenced the development of the suburbs. Road infrastructure development has been shown to significantly influence land use and create new growth centers, encouraging the expansion of residential, commercial, and service areas along these routes.

Conclusion

Building economic growth from the outskirts of Bandar Lampung City is an ongoing necessity through the process of suburbanization. This growth is largely driven by infrastructure development and the need for residential and commercial land outside the city center. The trade, services, and housing sectors are driving growth in the suburbs.

Recommendation

- a. Land Use Control: The Bandar Lampung City Government needs to intensify policy instruments to control land conversion in the outskirts, especially productive agricultural land, so that economic development remains sustainable.
- b. Specific Economic Development: Outlying areas should be encouraged to develop specific economic potential and not simply become extensions of the city center. Examples include MSME centers, nature-based tourism/agrotourism (if potential), or logistics centers.
- c. Equalization of Basic Service Quality: Economic development must be followed by equalization of access and quality of basic services (clean water, sanitation, education, and health) in outlying areas to increase the Human Development Index (HDI) and reduce social disparities.

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