

THE ROLE OF THE PROCESSING INDUSTRY SECTOR IN REGIONAL ECONOMIC GROWTH (IN DUMAI CITY)

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Abstract

The purpose of this study is to determine the role of the processing industry sector in regional economic growth (in Dumai City). It can be concluded from the calculation results that the processing industry sector has a very large positive impact on the Gross Regional Domestic Product (GRDP) Produced in Dumai City, with an average of 54.82%. The manufacturing industry sector has increased every year from the 2010-2018 period. Thus, the role of the processing industry sector in the economic growth in Dumai City has a very positive impact and can increase the Gross Regional Domestic Product (GRDP) of the processing industry sector.

Keywords: Manufacturing, Industry Sector, Increased GRDP.

1. INTRODUCTION

The economic development of Dumai City can be shown through GRDP from year to year. GRDP describes the productivity of a region in carrying out economic activities. In that period, the largest portion of Dumai City's GRDP received contributions from the processing industry sector which has been increasingly close in the last 9 years.

One that can spur the economic growth of a region, the processing industry sector can be considered as one of the strategic assets to increase the increase in Gross Regional Domestic Product (GRDP). GRDP is the sum of the value of the final goods and services produced by various units of production in the territory of a country within a period of one year (Denburg, 1994).

Dumai City Gross Regional Domestic Product Growth At Constant Prices 2010 According to Lbusiness in 2010-2018 (million rupiah). The amount of GRDP figures and per capita income reflects the amount of added value generated by production factors in Dumai City. The following is data on GRDP growth according to business fields on the basis of constant prices taken from the period from 2010 to 2018.

Table 1.1 : GRDP Growth in Dumai City, 2010-2018

No	Year	GRDP (Million Rupiah)
1	2010	17.495.472,48
2	2011	18.242.262,31
3	2012	18.909.845,70
4	2013	19.605.667,85
5	2014	20.132.375,72

**THE ROLE OF THE PROCESSING INDUSTRY SECTOR IN REGIONAL ECONOMIC GROWTH
(IN DUMAI CITY)**

Lanjar Sumarno, Chronika Sari, Soharto Ngudiwaluyo, Armis

6	2015	20.516.493,52
7	2016	21.468.403,79
8	2017	22.347.511,73
9	2018	23.510.838,96

Source: Dumai City Central Statistics Agency (data processed), 2019.

It can be seen in table 1.1 above that contains data that illustrates the development of Economic Growth in Dumai City from 2010 to 2018.

Gross Regional Domestic Product On The Basis Of Constant Prices According To Business Fields In 2010-2018 (million rupiah). It can be known that the han management industry is one of the sectors that has the largest GRDP in the number of participation in the economy in Dumai City with a total of 23,510,838,960,000 Rupiah in 2018. Thus the GRDP of the Manufacturing Industry Sector on the basis of constant prices really increased. The following is data on the development of the Dumai City Processing Industry Sector taken from the period 2010 to 2018.

Table 1.2 : Development of Processing Industry Sector in Dumai City On The Basis Of Constant Prices 2010-2018

No	Year	GRDP of Processing Industry Sector (Million Rupiah)
1	2010	9.227.341,39
2	2011	9.771.772,16
3	2012	10.035.476,89
4	2013	10.414.550,79
5	2014	11.059.234,35
6	2015	11.357.155,83
7	2016	12.069.822,54
8	2017	12.657.132,10
9	2018	13.575.183,87

Source: Dumai City Central Statistics Agency (data processed), 2019.

It can be seen from the data table 1.2 above contains data that generally illustrates the increase in the Manufacturing Industry Sector from year to year. In 2010 the Manufacturing Industry Sector amounted to 9,227,341,390,000 Rupiah and continued to

experience an increase which in 2018 the Manufacturing Industry Sector amounted to 13,575,183,870,000 Rupiah.

There are five sectors that contribute greatly to the formation of accelerated growth in Dumai City, which can be compiled from the largest, namely the manufacturing industry sector, trade sector, hotels and restaurants, building sector, transportation sector and also communication and services sector. The development of the processing industry is an important element to accelerate the achievement of development goals and also in order to create a balanced economic structure. In the development of the processing industry sector, it is also directed that the processing industry sector itself can have a positive impact on the Gross Regional Domestic Product (GRDP).

The raw materials from the processing industry from an agricultural, forestry, fishery, mining, or quarrying product, for example, products from other processing industry activities. What is meant by the processing industry group is the change from materials to new products using hands and also product sales activities that are carried out in the same place where the product can be sold and units whose materials are from the parties concerned on the basis of cooperation.

2. LITERATURE REVIEW

Economic Development And Economic Growth

The definition of economic development according to experts is as follows:

1. According to Adam Smith

Economic development is a process of combining population growth and technological progress.

2. According to Prof Meier

Economic development is a process of increasing real income per capita in a long period of time.

Basically, economic development can be interpreted as the bond between usaha in an economy in order to advance its economic activities so that more infrastructure is available, companies are getting larger in number, growing, the education phase is getting more sophisticated and technology is developing. The relationship between this continuation is expected to increase job opportunities, the quality of income will increase, and so that the welfare of the community will increase.

Definition Of economic growth is a method of increasing output over a long period of time by having a list of poverty rates that do not increase and equal distribution of income. The index is important in calculating the amount of economic growth for a country or region, which is seen from gross product or gross regional domestic product.

Economic growth is one of the most important indicators in conducting an analysis of economic development that occurs in a country. Economic growth shows the extent to which economic activity will generate additional income for the people in a certain period.

According to M.L.Jhingan (2008:97) population growth and economic development, in his book *Principles of Political Economy*, Malthus is more realistic in analyzing population growth in relation to economic development than in his book *Essay of Population* according to Malthus.

According to Drs. Muchdarsyah Sinungan (2009: 172) economic growth there are three things that encourage economic growth and productivity :

1. Production efficiency means that people utilize resources in the most expensive

THE ROLE OF THE PROCESSING INDUSTRY SECTOR IN REGIONAL ECONOMIC GROWTH
(IN DUMAI CITY)

Lanjar Sumarno, Chronika Sari, Soharto Ngudiwaluyo, Armis

way.

2. Allocation efficiency means that people allocate resources between production techniques in such a way that they can produce good services and that maximize their welfare.
3. Increasing inputs (including and increasing productivity are the two main ways in which the economy can grow).

According to M.L.Jhingan (2008:101) the low use or lack of effective demand can give rise to abundant supplies, while according to Malthus's theory itself, which is the key reason for underdevelopment. In the process of development, the state must install products in the agricultural sector as well as the industrial sector. This leads to an increase in technological advances, equitable distribution, welfare, an increase in unproductive consumption, and also in an increase in employment opportunities using public employment plans. As is known, there are several aspects of noneconomy, including education, moral ethics, expertise in working hard, and also in law must be efficient in order to support and increase the number of production exists in two sectors, so these economic and noneconomic factors both lead towards economic development.

According to Case and Fair (2007:325) the source of economic growth, economic growth occurs when (1) the community gets more resources or (2) the community finds a way of using the available resources more efficiently. In order for economic growth to raise the standard of living, the growth rate must exceed the rate of increase in the population. Economic growth is generally defined as an increase in real GDP per capita.

This development is always expressed in the form of a percentage change in national income in a given year compared to the previous year (Sadono Sukirno 2006:9). Discussing the theory of economic growth, it is important to have a measure of the ability of an economic system to convert its resources into goods and services.

Industry

Industry has two meanings. In the first, industry can mean as a combination of similar companies. In this condition, the name of the cosmetics industry, for example, a combination of companies producing cosmetic products. Second, the industry can also look at a sector of the economy in which productive activities are obtained that process raw materials into finished goods or semi-finished goods.

The industrial sector is believed to be a sector that can also lead other sectors in an economy to success. Industrial products that have a fairly high or more useful "*terms of trade*" and can also create greater added value compared to products in other sectors. This can be caused because the industrial sector has a very diverse variety of products and also seeks to provide high benefits for its users. Business operators (producers, dealers, traders, and investors) who prefer to join the industrial field because this sector provides a very attractive profit margin that makes many people interested. Industrialisasi can also be interpreted as a situation where society only focuses on the economy which, among other things, includes increasingly diverse jobs (specialization), salaries, and also increasingly large incomes. Industrialization is part of the renewal process in which social change and economic progress are both related through technological changes. Industrialization can be interpreted as the construction of manufacturing enterprises that produce the production of goods in general also referred to as industrial goods, which in the sector is known as the

modern economic sector.

According to the researchers, there are several factors that are a reference for industrial modernization and also the development of enterprises. Starting from the political and legal environment that is beneficial for the world of industry and also trade, which with natural resources tends to be low in cost, and has the ability and can also adapt to their work.

The processing industry itself which includes economic activities in the field of physical changes of materials, elements, and also parts that become new products. The raw materials from the processing industry come from agricultural products, forestry, fisheries, mining, or quarrying such as products from other processing industry activities.

As for the importance of planning in the state budget and development analysis, the government can divide the processing industry sector into three subsectors, including:

Subsector of non-oil and gas processing industry

Petroleum refining subsector

Liquefied natural gas processing subsector

As for the needs of the development of the industrial sector itself (industrialization), which is related to the administration of the Ministry of Industry and Trade, the industries in Indonesia are classified based on the relationship between the flows of their products between other:

1. The upstream industry, which among others consists of:
 - a. Basic chemical industry
 - b. Machinery, base metals and electronics industries
2. Downstream industries, which among others consist of:
 - a. Assorted industries
 - b. Other small industries

As for what can be classified as an industry with an approach to the size of the business scale carried out by several institutions, by having different criteria. The Central Statistics Agency can distinguish the scale of industry which becomes 4 groups based on the number of workers per business unit, namely :

1. Large industries that employ 100 or more people
2. Medium industry that works between 20 and 99 people
3. Small industries that work between 5 and 19 people
4. Household handicraft industry, which is < 5 people working

As for the development of the industrial sector from since the new order, or rather during the long-term development in the first stage, it is very admirable. Which can be seen from various levels of comparison such as the number of business units or companies, both the amount of labor absorbed, as well as the output value produced. Not many developing countries realize that business can improve and also expand the industrial sector which must be parallel to the development process and also in the development of other sectors, especially in the agricultural sector. It is with this method that wisdom can create a process of mutual support between sectors.

Revenue Distribution

The distribution of national income reflects the equitable or unequal distribution of a country's development results among its population. There are various criteria or benchmarks to assess the evenness (severity or softness of inequality) of the distribution in question. Three of them are the most commonly used, namely:

**THE ROLE OF THE PROCESSING INDUSTRY SECTOR IN REGIONAL ECONOMIC GROWTH
(IN DUMAI CITY)**

Lanjar Sumarno, Chronika Sari, Soharto Ngudiwaluyo, Armis

1. Whore Lorenz
2. Gini Index or Ratio
3. World Bank criteria

To measure the overall income distribution of the population, poor and not poor, you can use the Lorenz curve and the Gini index. Nobel laureate economist Simon Kuznets hypothesized that throughout industrialization, income distribution inequality follows a U-inverted curve pattern; first it increases and then decreases, along with the process of growing the economy. Available time series data per country indicate that the growth of industrialization in Europe follows a U-inverted curve and compares it in other countries. According to economists, it is generally the difference between the two principal tier measures of income distribution, both of which can be used with quantitative and analytical purposes, namely: 1) individual income sharing or tier size and 2) income sharing. functional or division of apatan pend based on each aspect that can be distributed (*distribution share*).

The distribution of individual income or the distribution of measures is the most commonly used by economists. This distribution concerns the human aspect as individuals or households and the amount of income they receive. A high growth rate does not mean that the distribution of income is deteriorating. Because from experience in Taiwan, Iran, and Korea, it shows that the relatively high growth rate of brand a GNP, their revenue distribution has improved or at least has not changed. However, other countries, for example, such as Mexico and Panama, are experiencing rapid growth rates, but are also included with the worsening distribution of income. It is clearly said that if the rate of the process of rapid growth does not mean that it is what determines the division of income.

Gross Regional Domestic Product

The definition of GRDP is the value of goods and services that are overall produced in an economy within a certain period of time. What is explained is that the measurement of GDP or GRDP can be done using three approaches, namely:

1. Production Approach

GDP or GRDP is the amount of value of goods and services produced from various production units in the territory of a country within a period of one year. As for calculating GDP or GRDP using a production approach that is calculated, namely the value of additional production or value added created, with this method it can be avoided that the calculation can be avoided from applying Double.

2. Revenue Approach

GDP or GRDP is the amount of repayment received by production factors that participate in the process in a country within a certain period of time. What is said to be repayment is salary and also wages, land rent, capital interest, and the amount of profit before direct tax deductions.

3. Spending Approach

GDP or GRDP is all elements of the expenditure carried out by households both in the form of consumption (C), companies in the form of investment (I), government (G), and also foreign trade in the form of net exports (X-M) which are usually within a period of one year.

The economy is considered to experience growth if all real services to the use of production factors in a given year are greater than in the previous year. The indicator used to measure economic growth is the growth rate of gross regional domestic product (GRDP). From the various definitions and concepts above, it can be said that increasing GRDP is one of the main reflections of the success of a development business. Gross Regional Domestic Product (GRDP) is a statistic data that summarizes the acquisition of added value from all economic activities in a region in a given year. This is because if the GRDP increases, economic growth (additional output) will also increase. The amount of GRDP contribution will increase one of the sectors that can affect economic growth, where one of the sectors that affect economic growth is the Manufacturing Industry Sector, so in this case GRDP makes a large contribution to the Industrial Sector Such processing. Using the Klassen Typology analysis method, a sector can be distinguished into four groups, namely:

1. Featured Sector (prime)
2. Potential Sectors
3. Growing Sector
4. Underdeveloped Sector

What is meant by the prime sector is the sector that most predominantly contributes to the economy in a region. A sector can be categorized into a prime sector if the sector has a high growth rate and also its contribution to large GRDP, which is meant by a potential sector, namely a sector that also contributes high to the economy in an area but the growth of the sector is slow and also tends to decline. The developing sector is the yang sector which is experiencing an increase, but it is indicated by high growth, but the contribution is still low. Meanwhile, the backward sector is a sector that is a weakness in an area indicated by slow growth and also a contribution to low GRDP.

Past Research

There are several studies that have been done before on almost the same topic:
Table 2.1 Tabulation of Previous Research

No	Researcher's Name	Research Title	Research Results
1	Dwi Rahayu Ningrum (2016)	The Influence of The Tobacco Processing Industry In The Economy And Employment In Ponorogo Regency, East Java	The result in this study is that the cigarette industry has a relatively large contribution to the structure of demand and output. The processed tobacco sector has a relatively large multiplier impact to increase output and household income throughout the economic sector of Ponorogo Regency to increase employment.

**THE ROLE OF THE PROCESSING INDUSTRY SECTOR IN REGIONAL ECONOMIC GROWTH
(IN DUMAI CITY)**

Lanjar Sumarno, Chronika Sari, Soharto Ngudiwaluyo, Armis

2	Ayu Azhari Amin (2015)	The Role of the Processing Industry Sector in the Economy and Employment in North Sulawesi Province	The role of the processing industry sector in the absorption of the workforce of North Sulawesi Province is still relatively small and tends to be stable every year. From the labor aspect, the processing industry sector of North Sulawesi Province is the base sector. The labor multiplier of the processing industry sector of North Sulawesi Province is relatively stable.
3	Ahmad Shodiqin (2018)	The Influence of the Processing Industry Sector on the Economic Growth of Bandar Lampung City for the 2010-2016 Period of Islamic Economic Perspective	The result of this study is that if the processing industry increases, the GRDP will also increase, in this case there is a positive relationship between the processing industry itself and growth economy (GRDP).

3. RESEARCH METHODS

This research is located in Dumai City, why I conducted research in the area, because macroeconomic indicators in the form of Gross Regional Domestic Product (GRDP) of Dumai City which continues to increase every year from 2010-2018 are an illustration of the success of economic development in the City Dumai. This study used secondary data, so that Population and Samples were not used in this study.

Data Types and Sources

The type of data in this study uses secondary data which is *time series* data from 2010 to 2018. The source of the data collected was taken from the official place of the Central Statistics Agency (BPS) Dumai, the Trade Office and also industry, Gross Regional Domestic Product. This research is also complemented by, among others:

1. Data from the Central Statistics Agency (BPS), which consists of:
Dumai City Processing Industry Sector
2. Data from Gross Regional Domestic Product (GRDP):
Total GRDP income according to Dumai City Business Field
Dumai City Processing Industry Sector

Data Collection Techniques

As for how to collect data and its sources of information, it is collected in the form of documentation. Documentation means data obtained from available documents such as the form of annual reports published by the Central Statistics Agency, in the form of

reference books, journals and so on.

Data Analysis Methods

The method used in analyzing the data in this study is a descriptive method, which is to discuss research problems by describing and explaining based on what is obtained in the interpretation according to with existing theories so that it can describe what is the real situation, to find out the Role of the Processing Industry Sector on Economic Growth in Dumai City by looking at the Pengolahan Industry sector on GRDP. To find out the Role of the Processing Industry Sector on Economic Growth in Dumai City, it is analyzed using the following formula:

$$R = \frac{\text{Manufacturing Sector}}{\text{Economic Growth}} \times 100 \%$$

4. RESULTS AND DISCUSSION

GRDP Growth in Dumai City

The increase in GRDP is one of the main reflections of the success of a development business. Gross Regional Domestic Product (GRDP) is a statistical data that summarizes the value added gains of all economic activities in a region in a given year. In the process of development in addition to the impact of economic activity on the social life of the people, in the process of development efforts are made aimed at changing the structure of the economy for the better. The following is data on GRDP growth by business field on the basis of constant prices taken from the period 2010 to 2018.

Table 5.1: GRDP Growth in Dumai City, 2010-2018

No	Year	GRDP (Million Rupiah)	Growth (%)
1	2010	17.495.472,48	-
2	2011	18.242.262,31	0,04
3	2012	18.909.845,70	0,04
4	2013	19.605.667,85	0,04
5	2014	20.132.375,72	0,03
6	2015	20.516.493,52	0,02
7	2016	21.468.403,79	0,05
8	2017	22.347.511,73	0,04
9	2018	23.510.838,96	0,05
Average		20.247.652,45	0,03

Source: Processed Data 2010-2018

From table 5.1, it can be seen that the growth rate of Gross Regional Domestic Product occurred a constant or steady growth from 2011 to 2013, then in 2014 it

7	2016	12.069.822,54	0,06
8	2017	12.657.132,10	0,05
9	2018	13.575.183,87	0,07
Average		11.129.741,10	0,04

Source: *Processed Data 2010-2018*

From table 5.2 above, it can be seen that in general there is an unstable increase every year to the development of the industrial and processing sector of Dumai City on the basis of constant prices according to business fields in 2010 to 2011 amounting to Rp 9,771,772,160,000 or 0.06%, developments in 2012 amounting to Rp 10,035,476,890,000 or 0.03%, then in 2013 it still decreased by Rp 10,414,550,790,000 or 0.04%, in 2014 it increased again by Rp 11,059,234,350,000 or 0.06%, in 2015 amounted to Rp 11,357,155,830,000 or 0.03 %, experienced an increase in 2016 of Rp 12,069,822,540,000 or 0.06%, then in 2017 it was Rp 12,657,132,100,000 or 0.05%, and in 2018 it increased again by Rp 13. 575,183,870,000 or 0.07% with an average of Rp 11,129,741,100,000 or 0,04%.

The Role of the Manufacturing Industry Sector on Economic Growth in Dumai City

With the always increasing manufacturing industry sector and it clearly shows that there is an increase in economic growth as seen from the Gross Regional Domestic Product (GRDP). One of the sectors whose growth is always increasing and excels in the development of Gross Regional Domestic Product (GRDP) is the processing industry sector, which contributes from processing industry sector . And one of the superior sectors in Dumai City in the development process that has an impact on economic activity on community social activities in the development process is an effort to improve the structure of the economy to be further improved. The following is data on the growth of the processing industry sector against the growth of GRDP in Dumai City.

Table 5.3 The Role of the Manufacturing Industry Sector on Economic Growth in Dumai City in 2010-2018

Year	GRDP of Processing Industry Sector (Million Rupiah)	PDRB (Million Rupiah)	The Role of the Industrial Sector in increasing GRDP (%)
2010	9.227.341,39	17.495.472,48	52,74
2011	9.771.772,16	18.242.262,31	53,57
2012	10.035.476,89	18.909.845,70	53,07
2013	10.414.550,79	19.605.667,85	53,12
2014	11.059.234,35	20.132.375,72	54,93
2015	11.357.155,83	20.516.493,52	55,36

**THE ROLE OF THE PROCESSING INDUSTRY SECTOR IN REGIONAL ECONOMIC GROWTH
(IN DUMAI CITY)**

Lanjar Sumarno, Chronika Sari, Soharto Ngudiwaluyo, Armis

2016	12.069.822,54	21.468.403,79	56,22
2017	12.657.132,10	22.347.511,73	56,64
2018	13.575.183,87	23.510.838,96	57,74
Average	11.129.741,10	20.247.652,45	54,82

Source: Processed Data 2010-2018

From table 5.3, it can be seen that the role of the processing industry sector in economic growth by looking at the increase in Brothu Regional Domestic Product (GRDP) in Dumai City is very important, which is seen in 2010 as reaching 52.74%, in 2011 it was 53.57%, next in 2012 it was 53.07%, in 2013 it was 53.12%, in 2014 it was 54.93%, in 2015 it was 55.36%, then in 2016 it was by 56.22%, in 2017 it was 56.64%, and in 2018 it increased by 57.74% with an average of 54.82%. From this explanation, the processing industry sector always experiences an increase from year to year.

One of the developments in economic growth and development owned by Dumai City, one of which plays a role in economic growth is the processing industry sector. Where the sector is a superior sector in Dumai City, and its development from year to year always increases can be seen from the Gross Regional Domestic Product (GRDP) data. Table 5.3 above is economic growth data seen from the GRDP and the processing industry sector of Dumai City.

It can be explained from the description of the data above that the processing industry sector towards economic growth can be seen from the Gross Regional Domestic Product (GRDP) of Dumai City plays a big role in the increase in GRDP. Thus, it can be seen that the processing industry sector is one of the leading or prime sectors, it is said that because the prime sector is the sector that has the most dominant contribution to the regional economy. It is categorized into the prime sector if the growth sector is high and its contribution to the growth of Gross Regional Domestic Product (GRDP) is large.

Discussion

From the results of the research above, it can be seen that the Role of the Processing Industry Sector on Economic Growth in Dumai City where the processing industry sector is one of the leading sectors in Dumai City. Because of its large contribution and plays a very large role in the growth of Gross Regional Domestic Product (GRDP), namely with an average GRDP of the Processing Industry Sector of Rp. 11,129,741.10 and his GRDP of Rp. 20,247,652.45 with an average of 54.82%. The role of the Processing Industry Sector towards GRDP Growth is very large, therefore the Processing Industry Sector can increase the economic growth of Dumai City. Compared to the results of previous research, the first year, the cigarette industry has a relatively large contribution to the structure of demand and output. The processed tobacco sector has a relatively large multiplier impact to increase output and household income in all sectors of the economy of Kabupaten Ponorogo to increase employment. The similarity with the results of my research is to examine the processing industry sector, but there are differences where previous research on labor absorption. Then compared to the results of the second previous research, the role of the processing industry sector in the absorption of labor in North Sulawesi Province

is still relatively small and tends to be stable every year. From the labor aspect, the processing industry sector of North Sulawesi Province is a base sector. The multiplier of labor in the processing industry sector of North Sulawesi Province is relatively stable. The difference with the results of my research is that my research examined the role of the processing industry sector in economic growth in Dumai City, the previous research was on the employment of North Sulawesi Province. And compared to the results of the third previous research, namely if the processing industry increases, the PDRB will also increase, in this case there is a positive relationship between the processing industry itself and economic growth (GRDP). As for the similarity with the results of my research, because we researched the same title but the difference is that he is influenced and I play a role.

4. CONCLUSION

The conclusion that can be drawn is that the processing industry sector is one of the leading sectors in Dumai City. The Manufacturing Industry Sector Plays a Big Role in Economic Growth in Dumai City. Because of its large contributions and plays a very large role in the growth of Gross Regional Domestic Product (GRDP). Therefore, the Manufacturing Industry Sector can increase the economic growth of Dumai City.

Suggestion

The suggestions that the author can submit in the research on the Role of the Processing Industry Sector on Economic Growth in Dumai City are as follows:

1. For the government and also related agencies, in making manufacturing industry policies where one of the sectors that juga plays a role in the economic growth of Dumai City is the processing industry sector.
2. For subsequent researchers, as reference material or reading material to increase knowledge and useful information, especially researchers with the same topic of discussion.
3. For the author, as a means of applying the knowledge gained during lectures, and I as a writer realize that there are many shortcomings, from this writing the author expects constructive criticism and suggestions from the reader to be even better.

AUTHOR'S CONTRIBUTION

The authors, Lanjar Sumarno, Chronika Sari, Soharto Ngudiwaluyo, Armis, contributed equally to this work in providing literature review, research method, data processing, result and discussion, conclusion, and commented on the manuscript at all stages

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