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Analysis of Regional Industrial Cluster Development: An Example of Leather Industry in West Java-indonesia

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Abstract

Cluster theory has become a widely used concept in the literature on promoting regional economic development, innovation and growth. Cluster is an aspect of a broader re-orientation of research and economic policy towards the microeconomic foundations of prosperity and growth and as a new approach to help macro-economies reap the full potential of creation market institution. This has led the Indonesian government to adopt a clustering approach as an important element in its rural development strategy to promote the development of rural industry, which consists mainly of Small Medium Industries. In this paper, the study will focus on the empirical literature that is relevant to cluster identification, cluster development and to analyse the agglomeration forces that operating in the alleged cluster in West Java, Indonesia. This paper deals with the development of cluster capabilities inside industrial cluster firms and discusses the relationship between: firms networking with other firms and external partners inside their clusters; and the effects of this networking on the innovation performance of the cluster firms. Identification of alleged cluster using the Location Quotient (LQ) technique and to identify the agglomeration forces that operating in the alleged cluster using path analysis model. The paper reports findings from a research study conducted in West Java-Indonesia, where 110 enterprises based in industrial clusters responded to the questionnaire survey. The study shows that 'strategic networking' inside clusters improves both product innovation performance and overall speed of the innovation process inside technology-based SMEs, which ultimately effects competitive performance. Cluster has a higher employment concentration, productivity, and rivality compare to non cluster, this could lead for competitive price. Buyer, supplier and competitor are proximity relevant as source of knowledge for innovation while universities and research & development institutions are not relevant. 70 % of input factors is acquired in cluster while 30 % only in non cluster.

Keywords: Industrial cluster, regional competitiveness, regional development

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