



# Analysis of the Potential Structure of the Economic Sector of North Kalimantan Province Before and After Regional Expansion

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**Abstract:** This study aims to analyze the economic potential, sector contribution, competitiveness level, and economic classification in five regions—Malinau, Bulungan, Tana Tidung, Nunukan, and Tarakan City—in the period before (2007–2011) and after the expansion (2013–2017). The research approach is quantitative descriptive by utilizing secondary data analyzed using the Location Quotient (LQ), Shift Share (SS), and Klassen Typology methods. The results of the study show that there is a shift in the base sector from the two main sectors, namely mining and processing industry, to five leading sectors after expansion, namely agriculture, forestry, and fisheries; construction; transportation and warehousing; and government administration. Although the contribution of the mining sector decreased after expansion, it still plays a major role in the regional economy. Regional competitiveness shows an increase,

especially in the agricultural sector and government administration. The regional economic structure has also undergone a transformation from the dominance of extractive activities to diversification in the construction, transportation, information technology, and service sectors. Based on the Klassen Typology classification, there has been an increase in the number of post-expansion leading sectors which reflects a stronger and more sustainable direction of economic development.

**Keywords:** Regional Expansion, Economic Potential, Location Quotient, Shift Share, Klassen Typology

## Introduction

Economic structure describes the composition of the sectors that make up a country's economic system and is a reflection of the implementation of development policies aimed at improving people's welfare. Changes in the economic structure, according to Wade (in Firmansyah et al., 2024), is an important phenomenon that shows the dynamics of the contribution of economic sectors to Gross Domestic Product (GDP) and labor absorption, influenced by changes in demand and technological advancements. Understanding these changes is important for formulating economic policies and development strategies that are adaptive to modern challenges.

Economic structure analysis plays a role in identifying the dominant sectors that contribute to the Gross Regional Domestic Product (GDP) and regional competitiveness.

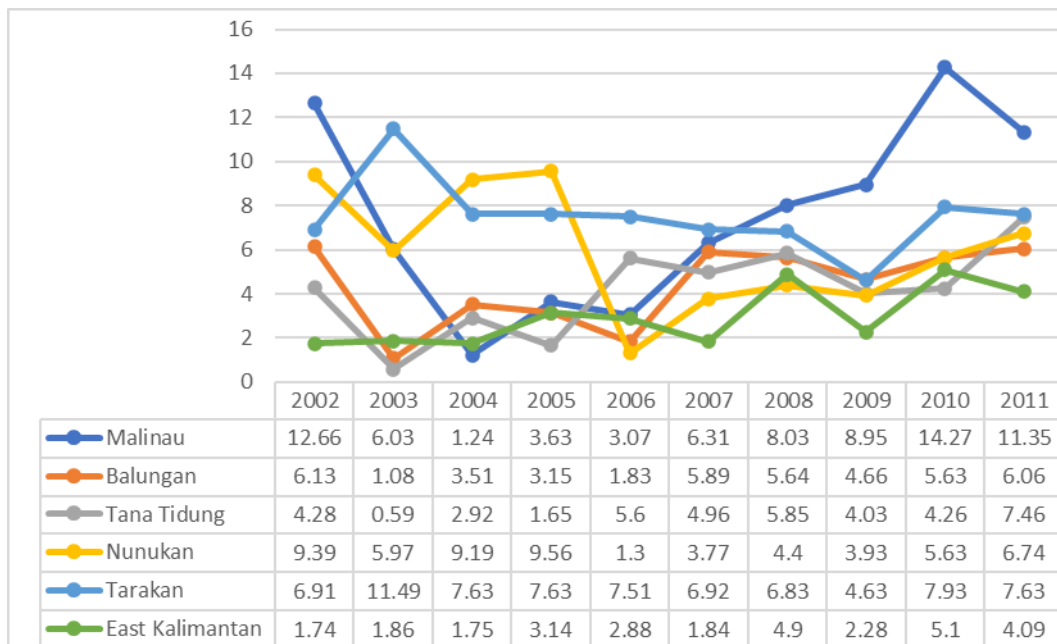
These findings can serve as a basis for governments to formulate strategic policies, allocate resources efficiently, and drive transformation from traditional to modern sectors. Chenery's (1975) theory of change in economic structure emphasizes that in the development process, the economic activity of developing countries will shift from the primary sector (agriculture) to the secondary (industry) and tertiary (services) sectors, along with the increase in per capita income and urbanization. This theory is relevant in analyzing changes in the economic composition of the five regions of North Kalimantan before and after expansion.

Regional expansion is a strategic policy that aims to accelerate development, improve public services, and optimize local economic and social potential (Suherman & Maryani, 2024). The government has regulated this process through Government Regulation Number 78 of 2007 and Law Number 23 of 2014 as the main legal basis for the establishment and management of new autonomous regions.

Kalimantan, as the third largest island in the world, has an important economic role and is the third largest contributor to national GDP after Java and Sumatra. The potential of natural resources and their geographical location make this region play a strategic role in the national economy. North Kalimantan Province (Kaltara), the result of the expansion of East Kalimantan Province through Law Number 20 of 2012, consists of five administrative regions: Malinau, Bulungan, Tana Tidung, Nunukan, and Tarakan City. The establishment of this province aims to accelerate development in border areas and strengthen the capacity of regional autonomy in managing local potential optimally. Each region has greater opportunities to develop and optimize local resources and potentials through the implementation of regional autonomy (Dadang, 2020). Therefore, local governments that have the authority to manage their areas must be able to explore the potential and advantages that each region has. In addition, local governments need to formulate targeted and systematically planned policies so that development goals can be achieved effectively (Alviansyah & Nurhayati, 2024).

North Kalimantan Province (Kaltara) is the province resulting from expansion. Kaltara Province before 2012 was still a region in East Kalimantan Province (East Kalimantan). At the time of the formation of the Kaltara region, it came from some areas in the province (East Kalimantan) which had a coverage of 5 administrative areas, consisting of 4 districts and 1 city, namely Malinau Regency, Bulungan Regency, Tana Tidung Regency, Nunukan Regency, and Tarakan City.

The economic growth and development of a region is generally measured through changes in the economic growth rate which is reflected in the Gross Regional Domestic Product (GDP) Growth Rate indicator. This indicator presents the percentage change in GDP value from one period to the next as an overview of regional economic performance and dynamics.



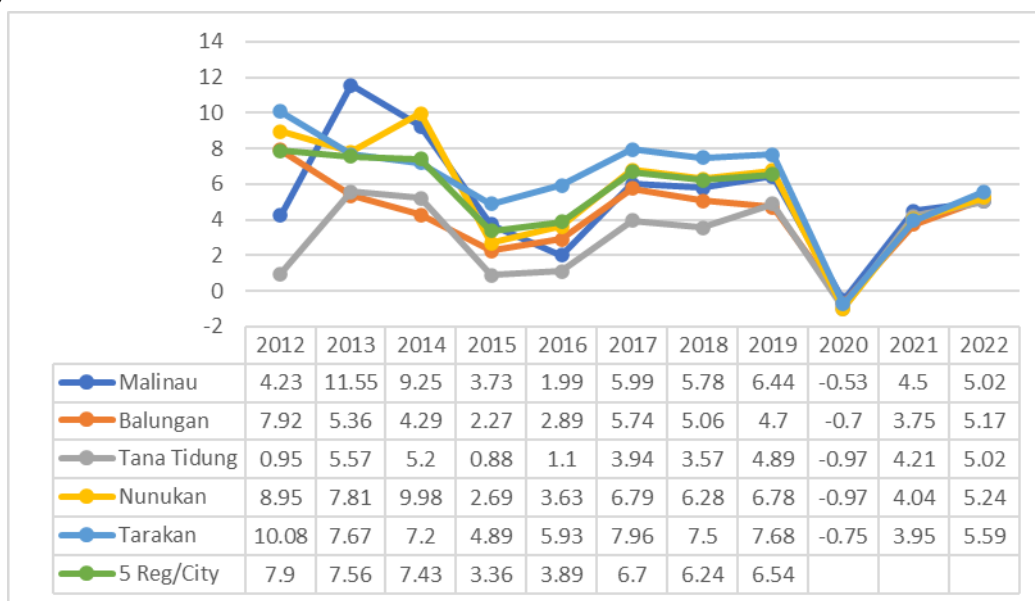
**Figure 1.** Growth Rate of Regency/City ADHK GDP in East Kalimantan Province Before Regional Expansion for the Period 2002-2011 (in Percent)

Source: BPS East Kalimantan Province, 2025

Based on the graph in Figure 1, the growth rate of the Gross Regional Domestic Product (GDP) on the basis of Constant Prices (ADHK) of districts/cities in East Kalimantan Province before expansion during the period 2002–2011 shows the diverse growth dynamics between regions. Malinau Regency was seen as the area with the highest growth at the beginning of the period, for example reaching 12.66 percent in 2002 and jumping again to around 14.27 percent in 2010 before declining slightly to around 11.35 percent in 2011. Bulungan Regency tends to have a more stable growth pattern; After slowing down at the beginning of the period, the growth rate strengthened again around 2007 and then remained in the range of 5–6 percent at the end of the period.

Tana Tidung and Nunukan Regencies showed a relatively low and stable growth rate, although Tana Tidung experienced a significant surge in 2011 with a growth of around 7.46 percent. Nunukan had faced a sharp contraction around 2006 with negative growth of around 1.3 percent, but this condition gradually improved in the following years. Tarakan City showed a more volatile growth pattern, with a fairly high increase of around 11.49 percent in 2003, then fell and moved in the range of about 6 percent in the period after.

In aggregate, the GDP growth of East Kalimantan Province is at a lower level than some of these districts/cities, with an average of around 2-5 percent per year and the highest achievement of around 5.1 percent in 2010. This pattern indicates a disparity in economic growth between regions, where Malinau Regency and Tarakan City tend to be areas with higher growth performance, while Tana Tidung and Nunukan Regencies are relatively lower. This difference in growth patterns illustrates the characteristics of economic structure and development potential that are not uniform in each region, thus providing an early indication of the need for more specific development policies based on the advantages of each region.



**Figure 2.** Growth Rate of Regency/City ADHK GDP in North Kalimantan Province After Regional Expansion for the 2012-2022 Period (In Percent)

Source: BPS North Kalimantan Province, 2025

Based on Figure 2, the growth rate of Gross Regional Domestic Product (GDP) on the basis of Constant Prices (ADHK) of districts/cities in North Kalimantan Province for the period 2012–2020 shows a fluctuating pattern. At the beginning of the period, several regions recorded quite high growth, such as Malinau Regency in 2013 by 11.55%, Nunukan Regency in 2014 by 9.98%, and Tarakan City in 2012 by 10.08%. After 2014, growth tended to slow down and move steadily in the range of 2-7%, then there was a sharp decline in 2020 due to the Covid-19 pandemic which caused almost all regions to experience negative or very low growth, for example Malinau Regency around -0.53% and Bulungan Regency around -0.7%. After 2020, all districts/cities again recorded positive growth, although they did not match the achievements at the beginning of the period, and Tana Tidung Regency appears to have a relatively lower growth rate than other regions despite showing gradual improvement.

This pattern indicates that post-bloom there is a difference in recovery ability and growth speed between regions in North Kalimantan, thus illustrating the region's economic capacity that is not uniform in responding to external shocks such as the pandemic and changes in national macroeconomic conditions. The data also shows that despite the challenges of maintaining stable growth, most regions are able to bounce back and enter a recovery phase, which at the same time reflects the resilience of the region's economy and opens up space for restructuring and optimization of economic structures.

Furthermore, the research Sunoto, Indraswati, and Tarsilohadi (2020) found that after expansion, the parent district in Bengkulu Province actually experienced a higher increase in economic growth than before expansion, while economic growth at the provincial level decreased. These results show that expansion does not necessarily reduce the economic performance of the parent district, but can even be a catalyst for a shift in the economic structure from the dominance of the primary sector to the secondary and tertiary sectors that are more productive with the emergence of more superior sectors.

By referring to the experience of other regions, regional expansion in North Kalimantan Province is expected to be able to reduce dependence on only one or two sectors and encourage the development of more sustainable sectors. However, the effectiveness of expansion in changing the economic structure of Kaltara still requires in-depth study because each region has different geographical conditions, wealth of natural resources, infrastructure, and quality of human resources. Therefore, the strategy of economic expansion and development needs to be adjusted to the specific characteristics and potentials of each region so that the growth created can be optimal and sustainable.

### **Research Method**

This study uses a quantitative method with a descriptive approach to analyze changes in the economic structure in North Kalimantan Province before and after regional expansion. The research objects cover five administrative regions, namely Bulungan Regency, Malinau Regency, Nunukan Regency, Tana Tidung Regency, and Tarakan City. The data used in this study is secondary data sourced from official publications of the Central Statistics Agency (BPS) of East Kalimantan Province and BPS of North Kalimantan Province. The data was then analyzed quantitatively using three analysis techniques, namely Location Quotient Analysis (LQ), Shift Share Analysis (SS), and Klassen Typology Analysis. The scope of the research time is divided into two phases, namely the period before the 2007–2011 expansion and the period after the expansion in 2013–2017, each with a time span of five years.

## Results and Discussion

Location Quotient (LQ) analysis was used to identify the base and non-base sectors in the research area by comparing it with the economic structure pattern of the reference area. Within the LQ framework, sectors with a value greater than one ( $LQ > 1$ ) are classified as base sectors because their contribution is relatively higher than that of the national or comparative regional level. On the other hand, sectors that have an LQ value of less than one ( $LQ < 1$ ) are classified as non-base sectors because their role is still below the average economic structure of the reference area.

**Table 1.** Location Quotient (LQ) of North Kalimantan Before Expansion

Sector	Year					Average	Description
	2007	2008	2009	2010	2011		
Agriculture, Forestry and Fisheries	0,33	0,33	0,36	0,33	0,35	0,34	NON BASIS
Mining and Quarrying	3,68	3,88	3,91	4,03	4,45	3,99	BASIS
Processing Industry	1,10	1,10	1,04	0,95	0,89	1,01	BASIS
Electricity and Gas Procurement	0,02	0,02	0,02	0,02	0,02	0,02	NON BASIS
Construction	0,52	0,52	0,54	0,55	0,60	0,55	NON BASIS
Trade, Hotels, and Restaurants	0,17	0,16	0,17	0,17	0,18	0,17	NON BASIS
Transportation and Communications	0,46	0,42	0,40	0,64	0,40	0,46	NON BASIS
Finance, Rental and Corporate Services	0,19	0,20	0,20	0,21	0,23	0,21	NON BASIS
Services	0,28	0,28	0,28	0,28	0,30	0,28	NON BASIS

Source: BPS East Kalimantan Province (data processed)

Before the expansion, the region was still under the administration of East Kalimantan, where the mining and quarrying sector emerged as the main driver of the regional economy, consistent with the characteristics of a region rich in natural resources. The theory of economic base explains that the economic growth of a region is strongly influenced by the increase in exports from that region (Tarigan in Ridwan and Saprudin, 2024, p. 122). In this context, the dominance of the mining and quarrying sector indicates that regional economic growth was largely dependent on export-oriented activities. The processing industry is also classified as a base sector, although its contribution shows a declining trend toward the end of the research period. On the other hand, other sectors such as agriculture, services, and trade are still classified as non-base sectors, indicating a higher dependency on the mining and production sectors, while service activities remain minimal. These supporting sectors demonstrate that the service infrastructure was still limited and developed only as a follow-up to the mining sector's growth. Overall, East Kalimantan's economy before the expansion exhibited a very high dependence on only two main sectors, which together accounted for 80% of total regional economic output.

**Table 2.** Location Quotient (LQ) of North Kalimantan After Expansion

Sector	Year					Average	Description
	2013	2014	2015	2016	2017		
A. Agriculture, Forestry, and Fisheries	1,25	1,24	1,29	1,33	1,31	1,28	BASIS
B. Mining and Quarrying	3,19	3,38	3,44	3,32	3,46	3,36	BASIS
C. Processing Industry	0,43	0,42	0,43	0,44	0,44	0,43	NON BASIS
D. Electricity and Gas Procurement	0,04	0,04	0,05	0,06	0,06	0,05	NON BASIS
E. Water Procurement, Waste Management, Waste and Recycling	0,57	0,57	0,69	0,73	0,74	0,66	NON BASIS
F. Construction	1,16	1,17	1,15	1,19	1,16	1,16	BASIS
G. Large Trade and Retail; Car and Motorcycle Repair	0,74	0,72	0,72	0,75	0,76	0,74	NON BASIS
H. Transportation and Warehousing	1,45	1,44	1,48	1,47	1,47	1,46	BASIS
I. Provision of Accommodation and Eating and Drinking	0,40	0,39	0,40	0,42	0,44	0,41	NON BASIS
J. Information and Communication	0,53	0,52	0,55	0,55	0,54	0,54	NON BASIS
K. Financial Services and Insurance	0,29	0,28	0,28	0,28	0,27	0,28	NON BASIS
L. Real Estate	0,32	0,31	0,32	0,31	0,31	0,32	NON BASIS
M,N. Corporate Services	0,19	0,18	0,17	0,15	0,14	0,17	NON BASIS
O. Government, Defense and Compulsory Social Security Administration	1,34	1,34	1,37	1,45	1,49	1,40	BASIS
P. Education Services	0,69	0,69	0,71	0,74	0,75	0,71	NON BASIS
Q. Health Services and Social Activities	0,80	0,81	0,91	0,98	0,96	0,89	NON BASIS
R,S,T,U. Other services	0,31	0,30	0,32	0,34	0,33	0,32	NON BASIS

Source: BPS North Kalimantan Province (data processed)

After North Kalimantan was officially established as its own province, the regional economic structure underwent changes. This is reflected in the development of several other sectors into base sectors. The expansion resulted in a change in the status of several sectors, indicating that the economy was beginning to become more diverse. However, service sectors such as financial services, educational services, and property are still not base sectors and require special efforts to be further developed. The diversification from 2 base sectors (before expansion) to 5 base sectors (after expansion) shows that the single dependence on mining is reduced, although mining remains the largest sector.

**Table 3.** Results of Analysis of Shift Share Components of the Economic Sector in North Kalimantan Province Before Expansion

Sector	Nij	Mij	Cij	Dij
Agriculture, Forestry and Fisheries	4.539,01	-1.504,69	331,74	3.366,06
Mining and Quarrying	39.766,57	-21.502,88	27.418,42	45.682,11
Processing Industry	24.012,61	-6.204,85	-26.973,39	-9.165,62
Electricity and Gas Procurement	19,98	13,20	-5,32	27,86
Construction	4.347,29	1.205,77	2.474,07	8.027,13
Trade, Hotels, and Restaurants	449,69	84,79	104,42	638,90
Transportation and Communications	2.365,09	4.493,17	-2.949,59	3.908,67
Finance, Rental and Corporate Services	1.388,67	266,19	1.052,65	2.707,52
Services	2.324,14	393,45	612,58	3.330,17

Source: BPS East Kalimantan Province (data processed)

**Table 4.** Results of Analysis of Shift Share Components of the Economic Sector in North Kalimantan Province After Expansion

Sector	Nij	Mij	Cij	Dij
A. Agriculture, Forestry, and Fisheries	1.487,40	-274,52	713,02	1.925,90
B. Mining and Quarrying	2.778,60	-2.980,01	1.640,29	1.438,89
C. Processing Industry	838,24	-47,82	292,69	1.083,12
D. Electricity and Gas Procurement	4,13	-1,14	10,08	13,07
E. Water Procurement, Waste Management, Waste and Recycling	5,94	0,68	0,44	7,06
F. Construction	984,14	397,34	228,70	1.610,18
G. Large Trade and Retail; Car and Motorcycle Repair	911,39	-121,44	353,17	1.143,12
H. Transportation and Warehousing	486,05	335,96	154,05	976,05
I. Provision of Accommodation and Eating and Drinking	106,48	13,26	90,06	209,79
J. Information and Communication	203,61	249,83	68,28	521,72
K. Financial Services and Insurance	97,30	52,72	-32,12	117,89
L. Real Estate	86,51	-5,58	-4,79	76,14
M.N. Corporate Services	26,36	23,69	-43,71	6,35
O. Government, Defense and Compulsory Social Security Administration	427,46	-151,56	350,21	626,11
P. Education Services	188,41	19,72	148,36	356,49
Q. Health Services and Social Activities	74,31	35,80	115,02	225,13
R,S,T,U. Other services	41,50	38,53	28,56	108,59

Source: BPS North Kalimantan Province (data processed)

National Share (Nij) measures a sector's potential contribution to regional economic growth if it grows at a national average rate. In the period before the 2007–2011 expansion, East Kalimantan was dominated by the mining and quarrying sector with Nij contributing (39,766.57), followed by the processing industry (24,012.61), agriculture, forestry, and fisheries (4,539.01), construction (4,347.29), transportation and communication (2,365.09), services (2,324.14), and corporate services (1,388.67). Meanwhile, the lowest contribution came from the electricity and gas procurement sector (19.98) and trade, hotels, and restaurants (44.69). After the expansion of the 2013–2017 period, North Kalimantan continued to maintain the mining and quarrying sector as the sector with the largest contribution but with a Nij value of (2,778.60). The agriculture, forestry and fisheries sectors rose to (1,487.40). Other sectors that also contributed greatly were the construction sector (984.14), wholesale trade and retail; car and motorcycle repair (911.39), and processing industry (838.24). Meanwhile, the sectors with the lowest contribution were the health services and social activities sector (74.31), water procurement, waste management, and recycling (5.94), other services (41.50), electricity and gas procurement (4.13) and corporate services (26.36).

Proportional Shift (Mij) indicates whether the sector in the region is growing faster with a positive value (+) or slower with a negative value (-) than the national average. East Kalimantan before the expansion period (2007 – 2011) showed that the sectors whose output increased were transportation and communication with Mij (4,493.17) (the largest increase), construction (1,205.77), and services (393.45), indicating that infrastructure and services began to receive more attention. Meanwhile, the mining sector showed negative Mij (-21,502.88), processing (-6,204.85), and agriculture (-1,504.69) showed declines, indicating that output is starting to shift from the mining sector towards construction, services and transportation, although mining still remains the largest. After the expansion into North Kalimantan Province for the period 2013 – 2017, the biggest changes occurred in the construction sector with Mij (397.34), transportation and warehousing (335.96), and information and communication (249.83), indicating that infrastructure and technology are the focus of development in the new province.

Differential Shift (Cij) measures the local competitiveness of the sector compared to the national one, with positive values indicating regional competitive advantage. In East Kalimantan before the expansion period 2007 – 2011, the mining and quarrying sector had the highest competitiveness of (27,418.42) far exceeding all other sectors. After the expansion of North Kalimantan Province for the 2013-2017 period, mining and quarrying still have the highest competitiveness with CIJ of (1,640.29). The mining and quarrying sector remains the highest competitiveness both before and after expansion, confirming that natural resources remain the main strength of the regional economy. Although expansion lowers overall

competitiveness, the relative pattern suggests that mining remains superior.

Klassen typology analysis is an analytical tool to classify economic sectors based on contribution and growth rate relative to the national average.

**Table 5.** Classification of the Klassen Typology of North Kalimantan Before Expansion

Business Field	National		East Kalimantan		Description	Quadrant
	Average Growth (g)	Average Contribution (s)	Average Growth (gi)	Average Contribution (si)		
Agriculture, Forestry and Fisheries	0,04	16,65%	0,04	5,64%	Potential sectors that can or still grow rapidly	III
Mining and Quarrying	0,03	13,07%	0,06	51,98%	Developed and fast-growing sector	I
Processing Industry	0,04	27,01%	-0,02	27,43%	Developed but depressed sector	II
Electricity and Gas Procurement	0,09	1,23%	0,08	0,03%	Relatively lagging sectors	IV
Construction	0,07	11,06%	0,10	6,05%	Potential sectors that can or still grow rapidly	III
Trade, Hotels, and Restaurants	0,07	3,43%	0,08	0,59%	Potential sectors that can or still grow rapidly	III
Transportation and Communications	0,22	7,20%	0,09	3,23%	Relatively lagging sectors	IV
Finance, Rental and Corporate Services	0,06	9,42%	0,10	1,95%	Potential sectors that can or still grow rapidly	III
Services	0,06	10,94%	0,08	3,10%	Potential sectors that can or still grow rapidly	III

Source: BPS East Kalimantan Province (data processed)

Prior to expansion, East Kalimantan was heavily dependent on the mining and quarrying sector, which occupied quadrant I with contributions (51.98%) and growth (0.06), far exceeding the national average (13.07%) and (0.03). Although the processing industry sector has a high contribution (27.43%), the growth is negative (-0.02), so it is in quadrant II. Other sectors such as agriculture, forestry, and fisheries; construction; trade, hotels and restaurants; finance, rental, and corporate services; and services are in quadrant III. In contrast, the electricity and gas procurement and transportation and communication sectors occupied quadrant IV, showing performance below the national average in terms of growth and contribution, indicating that basic infrastructure such as energy and transportation is still very limited and a barrier to further economic development. The economic structure of 2007-2011 is very extreme, where one main sector is very dominant with good growth, one large but declining sector, five sectors that are developing but small, and two infrastructure sectors that are lagging behind.

**Table 6.** Classification of Klassen Typology of North Kalimantan After Expansion

Business Field	National		East Kalimantan Province		Description	Quadrant
	Average Growth (g)	Average Contribution(s)	Average Growth (g)	Average Contribution (st)		
A. Agriculture, Forestry, and Fisheries	0,04	13,42%	0,06	17,23%	Developed and fast-growing sector	I
B. Mining and Quarrying	0,00	8,99%	0,03	30,16%	Developed and fast-growing sector	I
C. Processing Industry	0,04	22,19%	0,06	9,62%	Potential sectors that can or still grow rapidly	III
D. Electricity and Gas Procurement	0,03	1,10%	0,13	0,06%	Potential sectors that can or still grow rapidly	III
E. Water Procurement, Waste Management, Waste and Recycling	0,05	0,08%	0,05	0,07%	Potential sectors that can or still grow rapidly	III
F. Construction	0,06	10,05%	0,07	11,71%	Developed and fast-growing sector	I
G. Large Trade and Retail; Car and Motorcycle Repair	0,04	13,92%	0,06	10,29%	Potential sectors that can or still grow rapidly	III
H. Transportation and Warehousing	0,08	4,03%	0,09	5,89%	Developed and fast-growing sector	I
I. Provision of Accommodation and Eating and Drinking	0,05	3,10%	0,09	1,26%	Potential sectors that can or still grow rapidly	III
J. Information and Communication	0,10	4,83%	0,11	2,60%	Potential sectors that can or still grow rapidly	III
K. Financial Services and Insurance	0,07	4,00%	0,06	1,11%	Relatively lagging sectors	IV
L. Real Estate	0,04	3,06%	0,04	0,97%	Relatively lagging sectors	IV
M,N. Corporate Services	0,08	1,70%	0,01	0,28%	Relatively lagging sectors	IV
O. Government, Defense and Compulsory Social Security Administration	0,03	3,54%	0,07	4,95%	Developed and fast-growing sector	I
P. Education Services	0,05	3,20%	0,08	2,28%	Potential sectors that can or still grow rapidly	III
Q. Health Services and Social Activities	0,07	1,11%	0,13	0,99%	Potential sectors that can or still grow rapidly	III
R,S,T,U. Other services	0,08	1,66%	0,11	0,53%	Potential sectors that can or still grow rapidly	III

Source: BPS North Kalimantan Province (data processed)

The expansion of East Kalimantan Province into North Kalimantan Province resulted in major changes in the economic structure of the two regions. The diversification of North Kalimantan's economy can be seen from the increase in the number of sectors in quadrant I from one to five, which means that reducing the single dependence on mining which was previously very high (51.98%) has been greatly reduced. The shift of non-mining primary sectors to quadrant I, such as agriculture, forestry, and fisheries, confirms the previously undeveloped potential of agribusiness is now beginning to be developed as a source of sustainable alternative economic growth. In addition, the performance of construction, transportation, and government administration reflects the dynamics of infrastructure and institutional development in the new province.

However, there are still challenges in the development of the financial services and real estate sectors that are still lagging. This shows the need to strengthen financial infrastructure and property development to support sustainable economic growth. Laggard financial services are a barrier because this sector is the foundation for providing loans to small businesses and local startups, and without an immediate overhaul of this sector, economic diversification efforts will be hampered.

The economic structure, encompassing the dominant sector, the contribution of each sector to GDP, and the intersectoral linkages, serves as a crucial indicator for assessing regional development. The structural change theory emphasizes the process of economic transformation in developing countries, wherein economies initially dominated by the agricultural and subsistence sectors gradually evolve into more modern systems characterized by the predominance of industrial and service sectors (Todaro in Kuncoro, 2003). Consistent with this theoretical framework, Nahwan (2023) identifies the economic

transformation of Bandung City, where over the past few decades, economic growth has shifted the structure from an agriculture- and manufacturing-based economy to one increasingly driven by services and technology. Similarly, Masan and Nuryadin (2020) demonstrate that the expansion of North Hulu Sungai Regency, which led to the establishment of Balangan Regency, has stimulated a structural shift—particularly from the primary to the secondary sector—yielding considerable benefits for newly formed regions in natural resource management, human capital development, and GDP enhancement.

### Conclusion

North Kalimantan's economic potential has changed. Prior to expansion, the economy of the study area was still very dominated by the mining and quarrying sector (LQ 3.99) and the processing industry (LQ 1.01), while other sectors acted as supporting sectors with relatively small contributions. After expansion, there was a diversification of the economic structure with an increase in the number of base sectors from two to five sectors, namely agriculture, forestry and fisheries; mining and quarrying; construction; transportation and warehousing; and government, defense, and social security administration are mandatory  $LQ > 1$ .

Sectoral contributions, competitiveness, and changes in economic structure show the complex dynamics of transformation in North Kalimantan's economic base. Sectoral contribution analysis shows that the mining sector remains the largest contributor despite a drastic decline. Sectoral competitiveness shows a pattern in line with changes in contributions. Changes in economic structure show that economic output is shifting from the dominance of mining to the construction, transportation and warehousing, and information and communication sectors.

The classification of economies based on class typology shows an increase in the number of sectors that are categorized as developed and growing rapidly (quadrant I) after expansion. Before the expansion, only the mining and quarrying sector was included (quadrant I) the developed and fast-growing sector. After the expansion, the number of sectors that are included in the quadrant I category (advanced and rapid growth) increased by 5 sectors.

The North Kalimantan Provincial Government needs to prioritize strengthening the non-mining base sector, especially agriculture, forestry and fisheries; construction; and transportation and warehousing, which have been proven to have positive  $LQ > 1$  and Cij. Local governments need to direct part of the revenue from the mining sector to invest in productive infrastructure, human resource development, and encourage downstream to create higher added value. . Local governments can encourage the strengthening of the financial and service ecosystem through expanding access to formal financial services for

business actors, developing commercial areas that support trade and logistics, and improving the business climate conducive to the development of professional services. Policy coordination between the provincial government and the district/city government in the study area is important so that the development of leading economic sectors does not run alone. The preparation of future planning documents needs to consider the results of the analysis of LQ, Shift Share, and Klassen Typology as the basis for determining sector priorities.

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