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UNCOVERING THE POTENTIAL OF UNDERDEVELOPED REGIONS STUDY CASE: BELU REGENCY

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Abstract

The potential of underdeveloped regions is often overlooked, even though these regions hold "significant capital" that can encourage sustainable development. East Nusa Tenggara is one of the provinces in Indonesia that categorized as a under developed region, with Belu Regency having the lowest Village Development Index (IDM). This research aims to explore and identify the potential inherent in underdeveloped regions that has not been optimized. This research uses the Location Quotient (LQ) analysis method to identify base sectors, Shift Share (SSA) to measure economic growth, and Klassen Typology to classify regional growth patterns in Belu Regency. Novelty that can be provided in this research is the synergy of analysis that allows more precise diagnosis of problems and formulation of more targeted interventions. The result of the analysis show that the agriculture, forestry, and fisheries sectors; wholesale and retail trade, repair of cars and motorcycles; financial services; and real estate are the leading potential sectors that can be developed in the development of Belu Regency.

INTRODUCTION

Development of underdeveloped regions is still one of the development goals in Indonesia. It aims to reduce inter-regional disparities and increase equitable development in disadvantaged areas. According to Presidential Regulation (PERPRES) Number 63 of 2020, underdeveloped regions are districts whose regions and communities are less developed compared to other regions on a national scale. Compared to more prosperous regions, lagging regions are characterised by a combination of economic, social, and infrastructure deficiencies that impede progress. These areas often face problems such as limited access to resources, inadequate infrastructure, and insufficient human resources, which collectively lead to their underdevelopment.

There are six criteria that determine whether a region is designated as a lagging region based on the community's economy, human resources, infrastructure, regional financial capability, accessibility, and regional characteristics (Usman et al., 2023). Underdeveloped regions are characterized by low levels of industrialization, high levels of poverty, and limited access to essential services and infrastructure (Jumono et al., 2021). To determine underdeveloped regions in Indonesia, a number of criteria are used, including economy, human resources, financial capability, infrastructure, accessibility, and local characteristics. (Salsabila & Oktora, 2024) found that underdeveloped regions affected by the percentage of regions with shops, the availability of doctors, social conflict, high school enrollment, and per capita income. Lagging regions are characterized by low growth rates, income disparities, and employment challenges compared to more prosperous regions have failed to achieve economic convergence (Asadi & Jafari Samimi, 2023). They found that often lacking criticall mass, diversity, and a strong knowledge base, these regions are hindered ini their development.

Table 1. Village Development Index in East Nusa Tenggara Province

No.	Kabupaten/ Kota	ĪDM	Urutan Teringgal
1	Alor	0,591	6
2	Belu	0,589	1
3	Ende	0,590	3
4	Flores Timur	0,592	12
5	Kupang	0,592	11
6	Lembata	0,591	9
7	Malaka	0,590	2
8	Manggarai	0,593	15
9	Manggarai Barat	0,590	4
10	Manggarai Timur	0,596	17
11	Nagekeo	0,591	8
12	Ngada	0,591	10
13	Rote Ndao	0,590	5
14	Sabu Raijua	0,591	8
15	Sikka	0,592	12
16	Sumba Barat	0,594	16
17	Sumba Barat Daya	0,592	11
18	Sumba Tengah	0,591	7
19	Sumba Timur	0,593	14
20	Timor Tengah Selatan	0,591	7
21	Timor Tengah Utara	0,592	13

Source: Kemendesa, 2025

Data from the Ministry of Villages and Development of Underdeveloped Regions (Kemendesa) has identified several provinces and districts/cities in Indonesia as underdeveloped regions, one of which is Belu Regency in East Nusa Tenggara Province. Belu is ranked first among 21 districts in East Nusa

Tenggara with an IDM (Village Development Index) of 0.5890, followed by Malaka and Ende with IDMs of 0.5903 and 0.5905. These figures range from 0.491 to 0.599, indicating that these regions struggle to manage their resources effectively, hindering their ability to reach their full potential and limiting community welfare. In short, the regions are classified as underdeveloped and Belu regency is the most underdeveloped regions.

Effort to overcome regional underdevelopment require an in-depth understanding of region's economic structre, potential, and specific characteristics. Without the accurate analysis of comparative and competitive advantages, policy intervensions will be less targeted and less effective. This can result in inefficient resource allocation, wasting funds and investments on irrelevant sectors and hindering the process of sustainable development.

In this context, comprehensive regional analysis is a crucial step. Various methods have been developed to understand regional dynamics. These methods include Location Quotient (LQ), Shift Share analysis (SSA), and Klassen Tipology. For instance, the LQ method measures the level of economic sector specialization in a region compared to larger regions and helps identify economic base sectors with the potential to drive the local economy. The SSA can be used to analyze sources to regional economic growth, providing a more complete picture of a region's economic dynamics. Meanwhile, the Tipology Klassen can be used to classify regions based on economic growth and per capita income. This helps identify different types of regions, such as developed, developing, depressed, and stagnant.

The main innovation in this research lies in the integration of analyses that enable improved accuracy in problem diagnosis, as well as the development of more specific and effective interventions.

The detailed explanation of figure 1, LQ is used to identify base and non-base sectors within a region. SSA breaks down regional economic growth into three components: (1) national growth, which shows the influence of macroeconomic trends; (2) industry mix, which describes the composition of local industries compared to national ones; and (3) competitive advantage, which shows competitiveness between regional sectors (Kamilah, 2021)(Haryanto, 2021). This analysis reveals the internal and external factors influencing regional economic performance. The Klassen Typology then classifies regions based on economic growth (Y) and per capita income (r) indicators, providing an overview of a region's relative position and identifying its general characteristics through the Klassen quadrant table (Nopiah et al., 2024).

Combining these three analyses provides a more comprehensive and holistic analytical framework for identifying potential opportunities and challenges in Belu Regency, a lagging region. LQ will highlight sectors with a strong foundation that have not yet been optimised, SSA will explain why these sectors are or are not growing, and the Klassen typology will classify the overall development status of Belu Regency. Integrating these three methods is expected to provide deeper insights into Belu Regency's economic structure, potential sectors and specific characteristics, which will inform the development of more effective and sustainable policies.

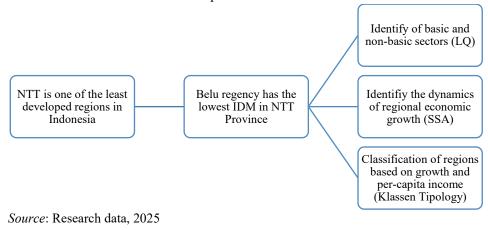


Figure 1. Research Model

RESEARCH METHODS

This research takes a descriptive, quantitative approach to analysing and identifying the potential and characteristics of underdeveloped regions. This approach was chosen because the research focuses on describing and interpreting numerical data related to regional economic conditions, as well as drawing conclusions using regional analysis methods.

The secondary data used in this research was obtained from credible institutions, such as the Ministry of Villages and the Statistics Indonesia (BPS). Using secondary data ensures objectivity and makes standardised data available for large areas. Specifically, the collected data includes the gross regional domestic product (GRDP) of the real sector/constant prices for the study areas of East Nusa Tenggara Province and Belu Regency from 2019 to 2023. This data will be the main input for the Location Quotient (LQ), Shift Share (SSA) and Klassen Typology analyses, which will allow leading sectors to be identified, growth dynamics to be analysed and the development status of Belu Regency to be classified. Selecting a 5-year time period aims to capture growth trends and avoid data anomalies in certain years, making the dynamic analysis more robust. The analysis was conducted and integrated sequentially using three main methods:

This analysis is used to identify base (leading) sectors that are specialised and have the potential to drive economic growth in a region. It is used to determine base sectors, which are industries with a higher concentration in a region than in a national or broader reference area (Ananta & Aulia, 2024). It provides insight into which sectors should be prioritised for development, helping regions to allocate resources effectively (Wahyuningsih et al., 2022). LQ analysis can provide recommendations for regional planning that emphasise the need to address economic disparities and promote sustainable development (Saputra et al., 2024). The formula used in LQ analysis is as follows:

$$LQij = \frac{Xir/Xr}{Xin/Xn}$$

Xir: GRDP of sector i in region r Xr: Total GRDP in region r

Xin: GRDP of sector i at national level n Xn: Total GRDP at national level n Interpretation:

If LQ > 1, this indicates that sector i is a base or leading sector in region j, meaning that the region has specialised in the sector and has the potential to produce products/services in excess of local demand for export to other regions. If LQ < 1, this indicates that sector i is a non-base sector in region j, meaning that the proportion of this sector in region j is smaller than the national average and the region still imports products/services. This means that the proportion of this sector in region j is smaller than at the national level, and the region still imports products/services from this sector. If LQ = 1, the proportion of sector i in region j is equal to its national proportion.

Although the LQ method is valuable for regional economic analysis, it has its limitations. It primarily focuses on industry concentration and does not consider other factors, such as industry growth potential or external economic influences. LQ analysis is often complemented by other methods, such as Shift-Share Analysis (SSA), to provide a more comprehensive understanding of regional economic dynamics (Azaki, 2024) Abadi et al., 2024).

Shift Share analysis decomposes a region's GRDP growth into three components that explain the sources of regional economic growth: the Share Component, Proportional Shift, and Differential Shift. SSA consists of three components: the Share Component, Proportional Shift and Differential Shift. The Share Component reflects the growth that would occur in a region if its industries grew at the national average rate. This component explains how economic growth in the regency compares to economic growth in the broader of references region (Muhertenti et al., 2022). Proportional Shift measures the impact of a region's industrial composition on its growth. It shows whether a region's industries are

concentrated in sectors that are growing faster or slower than the national average. A positive proportional shift indicates that a particular sector's growth rate exceeds that of the economy as a whole. This suggest that the sector is gaining a a competitive advantage and will likely benefit from favorable conditions or policies (Fadlli et al., 2023). Differential Shift captures unique regional factors that contribute to growth beyond national trends and industry composition. It reflects a region's competitive advantage or disadvantage, often attributed to local policies, resources or other regional characteristics (Lv et al., 2021). A region is considered competitive if has positive differential shift, this indicates that the sector superior compared to the same sector at provincial level (Kharisma et al., 2022).

The formula used in the SSA analysis is as follows:

$$\frac{Xij\ (t1)}{Xij\ (t0)} = \left(\frac{X..\left(t1\right)}{X..\left(t0\right)} - 1\right) + \left(\frac{Xi\ (t1)}{Xi\ (t0)} - \frac{X..\left(t1\right)}{X..\left(t0\right)}\right) + \left(\frac{Xij\ (t1)}{Xij\ (t0)} - \frac{Xi\ (t1)}{Xi\ (t0)}\right)$$
A
B
C

A : Share component

B : Proportional shift componentC : differential shift component

Xi : the total value of sector i in the total area.

Xi : the value of sector i in the total area.

Xij : value of sector i in area j

t1 : end-year pointt0 : base year point

SA identifies whether growth in a lagging region is driven by national economic trends, its industrial structure or internal competitive advantages that could be optimised. SSA results can reveal structural bottlenecks or hidden potential.

Klassen Tipology analysis classifies regions based on two macroeconomic indicators: the average rate of economic growth (average real GRDP growth rate) and the level of welfare (real GRDP per capita). The Klassen typology is employed to map regional disparities and identify less developed regions. This mapping is essential for prioritising development efforts and addressing these disparities (Nopiah et al., 2024). The Klassen tipolgy analysis tool has been used to describe a region's economic growth conditions in accordance with the results of other analysis tools (Pratiwi et al., 2023). This analysis help to positioning the development an area, leading to the formulation of sectoral development strategies according to needs (Elfiani & Marpaung, 2025). Combined with other methods, such as Location Quotient and Shift Share, the Klassen typology identifies key economic sectors for development. This helps to formulate strategies to increase the region's economic potential (fAriani et al., 2021).

The region will be placed into one of the four quadrants as follows, Quadrant 1 means that the region is developed and experiencing rapid growth. This is because the region has a high GRDP per capita and a high economic growth rate. Quadrant 2 means that the region is growing quickly. This is because it has a low GRDP per capita but a high growth rate. Regions like this have the potential to catch up. Quadrant 3 means that the region has potential but is currently depressed. This is because the region has a high GRDP per capita but a low growth rate. Quadrant 4 means that the region is relatively underdeveloped. This is because the region has a low GRDP per capita and a low economic growth rate.

The quadrant map in Klassen's typology analysis can be described as follows:

Table 2. Klassen Typology Analysis Quadrant Table

GD	RP
Yi >Y	Yi < Y
Quadrant I	Quadrant II
Quadrant III	Quadrant IV
	Yi >Y Quadrant I

The Klassen typology analysis categorises a lagging region, providing an overview of its position in the context of regional development. This helps us to understand the region's general characteristics, the challenges it faces and its potential to move to a better quadrant.

Having conducted separate calculations for the LQ, SSA and Klassen typology analyses, the next stage of this research is to integrate and synthesise the results of these three analyses in order to gain a holistic understanding. First, the results of the LQ and SSA analyses will be combined to identify the sectors with the greatest development potential. Then, the results of the Klassen typology classification will be used to contextualise the LQ and SSA findings. For instance, if an area falls within quadrant 3, the LQ and SSA analyses will offer additional insight into the reasons why. Based on the results of the integrated analyses, this research will then formulate specific, targeted, evidence-based policy recommendations for the potential development of underdeveloped regions. It is hoped that this methodology will provide a comprehensive, in-depth and applicable picture of the potential of underdeveloped regions in Indonesia, particularly Belu Regency. This can then inform the development of more effective and sustainable regional policies.

RESULT AND DISCUSSION

In this study, the LQ analysis was used to identify the leading sectors in Belu Regency, i.e. those with a higher level of production specialisation than the national or provincial average. The LQ value is calculated as the ratio of the sector's GDRP share in Belu Regency to its GDRP share at the provincial level in East Java. A sector is considered a base sector if LQ > 1, indicating that it can meet internal demand and export surplus production outside the region.

Table 3.
Location Quotient Value of Economic Sectors in Belu Regency in 2019-2023

NT.	G 4	LQ					.
No	Sector	2019	2020	2021	2022	2023	- Description
A	Agriculture, Forestry and Fisheries	10,38	9,92	9,67	9,82	9,73	Basic
В	Mining and Quarrying	27,30	20,59	20,71	20,96	20,70	Basic
C	Manufacturing Industry	0,67	0,69	0,75	0,78	0,83	Non-Basic
D	Procurement of Electricity, Gas	0,47	0,49	0,48	0,47	0,45	Non-Basic
E	Water Procurement	0,17	0,17	0,16	0,16	0,16	Non-Basic
F	Constructions	0,56	0,58	0,59	0,61	0,62	Non-Basic
G	Wholesale and Retail Trade, and Repair of Cars and Motorcycles	0,86	0,91	0,94	0,93	0,95	Non-Basic
Н	Transport and Warehousing	0,58	0,70	0,70	0,73	0,75	Non-Basic
Ι	Provision of Accommodation and Drinking Meals	0,20	0,23	0,23	0,21	0,20	Non-Basic
J	Information and Communication	0,27	0,25	0,24	0,24	0,23	Non-Basic
K	Financial Services	0,84	0,82	0,84	0,88	0,86	Non-Basic
L	Real Estate	0,78	0,75	0,75	0,80	0,85	Non-Basic
M,N	Corporate Services	0,11	0,16	0,16	0,16	0,17	Non-Basic
О	Government Administration, Defence and Compulsory Social Security	1,59	1,52	1,59	1,42	1,35	Basic
P	Education Services	1,23	1,21	1,20	1,20	1,24	Basic

Lanjutan:										
Q	Health	Services	and	Social	0,55	0,55	0,56	0,55	0,58	Non-Basic
	Activitie	es								
R,S,T,U	Other se	ervices			0,88	0,87	0,84	0,86	0,84	Non-Basic

Source: Data Processed, 2025

Table 3 shows the LQ values for the 17 main sectors in Belu Regency based on the LQ analysis for 2019-2023. As can be seen, four sectors have LQ values above 1: the agriculture, forestry and fisheries sector; the mining and quarrying sector; the government administration, defence and mandatory social security sector; and the education services sector. Therefore, these sectors can be categorised as basic or leading in Belu Regency.

The high LQ value in Belu Regency's agriculture, forestry and fisheries sector is supported by a fairly high harvest area of secondary crops, including corn (10,100.5 hectares), cassava (2,110 hectares) and sweet potatoes (83.2 hectares), according to 2023 data from the BPS Belu Regency. The mining and quarrying sector also shows an LQ value above 1, indicating that these activities support the region's economy. This is not surprising, given that there are 240 incorporated construction service companies spread across Belu Regency's sub-districts. Additionally, the high LQ value in the government administration, defence, and compulsory social security sector can be explained by several factors. Firstly, Belu Regency has the fourth highest population density in East Nusa Tenggara Province, at 213 people per km², after Kupang City (3,030 people per km²), Manggarai Regency (253 people per km²), and Southwest Sumba Regency (243 people per km²). Belu Regency is also a cross-border post (PBLN) area with Timor-Leste, so it is home to state civil and defence institutions. This regional concentration serves not only the internal administrative needs of the regency, but also acts as a service centre for other regions and countries, creating a surplus of services that contribute to the local economy. The presence of official offices can boost activity and employment in this sector, establishing it as a key economic pillar.

Similarly, LQ values in excess of 1 in the education services sector suggest that Belu Regency is an important educational hub. This is due to the presence of universities and other educational institutions that attract students from outside the region, as well as from neighbouring Timor-Leste. The three educational institutions in Belu Regency are the University of Timor Atambua, the Fajar Timur Atambua College of Social and Political Sciences and the Vocational Faculty of the Defence University of the Republic of Indonesia. These institutions provide educational services to the local population and attract thousands of students and teaching staff from across the region. This creates demand for accommodation, food, transport, and other supporting services. This demonstrates that the education sector in Belu Regency fulfils internal needs and is also able to 'export' educational services beyond the region, establishing itself as a pillar of a robust and autonomous economy. Meanwhile, sectors with LQ values below 1 or that are not base sectors indicate dependence on imports from outside the region to meet domestic needs or lack of significant specialization.

Shift Share analysis identifies the sources of economic growth in Belu Regency's sectors between 2019 and 2023. It separates these sources into three main components: the Share Component, Proportional Shift and Differential Shift. The Share Component shows sector growth due to the influence of national economic growth (in East Nusa Tenggara). The Proportional Shift measures the effect of growth in the same sector at the national level, while the Differential Shift reflects the effect of local factors or regional competitive advantages that cause the sector to grow faster or slower than the national average. Table 3 shows the results of decomposing GRDP growth by sector in Belu Regency from 2019 to 2023, also known as the shift share analysis results table.

Table 4.
Shift Share Analysis Result of Economic Sectors in Belu Regency in 2019-2023

NI.	S		SSA						
No	Sector -	PR	PS	DS	SSA				
A	Agriculture, Forestry and Fisheries	0,07	0,09	0,09	0,25				
В	Mining and Quarrying	0,07	- 0,03	- 0,14	- 0,10				
C	Manufacturing Industry	0,07	- 0,13	0,40	0,34				
D	Procurement of Electricity, Gas	0,07	0,32	0,16	0,54				
E	Water Procurement	0,07	0,23	0,03	0,33				
F	Constructions	0,07	- 0,08	0,26	0,24				
G	Wholesale and Retail Trade, and Repair of Cars and Motorcycles	0,07	0,03	0,29	0,38				
Н	Transport and Warehousing	0,07	- 0,19	0,43	0,30				
I	Provision of Accommodation and Drinking Meals	0,07	- 0,08	0,18	0,16				
J	Information and Communication	0,07	0,22	- 0,03	0,26				
K	Financial Services	0,07	0,06	0,19	0,32				
L	Real Estate	0,07	- 0,05	0,25	0,26				
M,N	Corporate Services	0,07	- 0,58	0,36	- 0,15				
O	Government Administration,	0,07	0,05	- 0,03	0,09				
P	Defence and Compulsory Social Security	0,07	- 0,07	0,16	0,16				
Q	Education Services	0,07	0,13	0,23	0,43				
R,S,T,U	Health Services and Social Activities	0,07	- 0,20	0,08	-0,05				

Source: Data Processed, 2025

Based on Table 4, the sectors in Belu Regency experienced positive growth driven by regional economic growth factors (PR). However, there are differences in the proportional share (PS), with nine of the seventeen economic sectors in Belu Regency having negative PS values. These include the mining and quarrying sector (-0.03), this suggests that the mining industry in Belu Regency focuses on commodities for which demand is declining, prices are stagnant or production is slowing down at the national or provincial level. This could be due to the energy transition, stricter environmental regulations, or depletion of reserves. The processing industry (-0.13) can be interpreted as indicating that the manufacturing sector in Belu Regency relies on a type of processing industry that is neither innovative nor nationally competitive. Construction (-0.08) interpreted the pace of infrastructure, residential property or commercial development in Belu Regency is slower than the national trend. This could be due to low investment, a lack of government projects, or a sluggish property market. Transport and warehousing (-0.19), logistical connectivity and the movement of goods and people in Belu are not developing as quickly as in other regions. This could be due to inadequate transport infrastructure or less efficient or innovative logistics activities. Accommodation, food and beverage providers (-0.08), this could indicate that the tourism and culinary sector in Belu Regency is less competitive or unable to attract the same level of growth as other regions. This may be due to a lack of destination innovation, ineffective promotion or unappealing culinary offerings. Real estate (-0.05) could indicate a sluggish property market in Belu Regency, with slow or even stagnant growth in property investment. This could be due to oversupply, low purchasing power or a lack of investor interest. Corporate services (-0.58), this could indicate that the company services sector in Belu Regency is slowing down. This could be due to a business structure that is still dominated by companies or industries that do not require modern professional services, or a lack of service innovation, meaning they are unable to capitalise on new

business trends. Education services (-0.07) could indicate that the quality of education in Belu Regency is not improving as quickly as in other regions, that the number of students is decreasing, or that the programmes of study offered are not relevant to current market needs. Other services (-0.20), this could indicate a shift in consumer preferences in Belu Regency, with consumers diverting spending to other types of services. It could also be due to a lack of public purchasing power and a shift in business models, both of which are causing slow growth.

Three economic sectors in Belu Regency have a differential shift (DS) value of less than zero, including mining and quarrying, information and communication, and government administration, defence, and mandatory social security. This indicates that these three sectors are growing more slowly than others. This analysis classifies Belu Regency's economic growth position against that of the East Nusa Tenggara province in terms of economic growth and per capita income. This classification helps determine the most appropriate regional development strategy.

Table 5.
Results of Klassen's Typology Analysis in Belu Regency in 2020–2023

N T	G . 4	Quadrant					
No	Sector -	2020	2021	2022	2023		
A	Agriculture, Forestry and Fisheries	3	3	1	1		
В	Mining and Quarrying	3	1	1	1		
C	Manufacturing Industry	1	1	1	1		
D	Procurement of Electricity, Gas	1	1	1	1		
E	Water Procurement	3	1	1	3		
F	Constructions	1	1	1	1		
G	Wholesale and Retail Trade, and Repair of Cars and Motorcycles	1	1	1	1		
Н	Transport and Warehousing	1	1	1	1		
I	Provision of Accommodation and Drinking Meals	1	1	3	1		
J	Information and Communication	3	3	1	1		
K	Financial Services	1	3	1	1		
L	Real Estate	3	1	1	1		
M,N	Corporate Services	1	1	1	1		
O	Government Administration,	3	3	3	3		
P	Defence and Compulsory Social Security	1	3	1	1		
Q	Education Services	1	1	1	1		
R,S,T,U	Health Services and Social Activities	1	1	1	1		

Source: Data Processed, 2025

Based on Table 5, Belu Regency's position in Klassen's typology from 2020 to 2023 is in Quadrants I and III. Several economic sectors have shifted from Quadrant III to Quadrant I, or vice versa. Eight economic sectors in Belu Regency have a fixed position in Quadrant I from previous years. These include the manufacturing industry; electricity and gas procurement; construction; wholesale and retail trade, car and motorbike repair; company services; health services and social activities; and other services. These sectors have grown above the regional average GRDP and have contributed more than other sectors to the regional GRDP. In addition to sectors with a stable position in Quadrant I, there are also sectors that have 'shifted for the better' from Quadrant III over time, indicating a positive transformation or transition. This indicates success in revitalisation and sector development.

Based on the results of the Location Quotient (LQ), Shift Share (SSA), and Klassen Typology analyses conducted in Belu Regency, Table 5 can be compiled to identify the potential sectors in Belu Regency that can be developed.

Table 6.

Identification of Potential Sectors in Belu Regency

Sector	LQ	PR	PS	DS	SSA	Klassen Progress	Description
Agriculture, Forestry	>1	0,07	0,09	0,09	0,25	I	Potential
and Fisheries							
Mining and Quarrying	>1	0,07	-	-	-	I	Non-potential
			0,03	0,14	0,10		
Manufacturing	<1 & not	0,07	-	0,40	0,34	I	Non-potential
Industry	close to 1		0,13				
Procurement of	<1 & not	0,07	0,32	0,16	0,54	I	Non-potential
Electricity, Gas	close to 1						
Water Procurement	<1 & not	0,07	0,23	0,03	0,33	III	Non-potential
	close to 1						
Constructions	<1 & not	0,07	-	0,26	0,24	I	Non-potential
	close to 1		0,08				
Wholesale and Retail	<1 & close	0,07	0,03	0,29	0,38	I	Potential
Trade, and Repair of	to 1						
Cars and Motorcycles							
Transport and	<1 & not	0,07	-	0,43	0,30	I	Non-potential
Warehousing	close to 1		0,19				
Provision of	<1 & not	0,07	-	0,18	0,16	I	Non-potential
Accommodation and	close to 1		0,08				
Drinking Meals							
Information and	<1 & not	0,07	0,22	-	0,26	I	Non-potential
Communication	close to 1			0,03			
Financial Services	<1 &	0,07	0,06	0,19	0,32	I	Potential
	approach1						
Real Estate	<1 &	0,07	-	0,25	0,26	I	Potential
	approach 1		0,05				
Corporate Services	<1 & not	0,07	-	0,36	-	I	Non-potential
	close to 1		0,58		0,15		
Government	>1	0,07	0,05	-	0,09	III	Non-potential
Administration,				0,03			
Defence and	>1	0,07	-	0,16	0,16	I	Non-potential
Compulsory Social			0,07				
Security							
Education Services	<1 & not close to 1	0,07	0,13	0,23	0,43	Ι	Non-potential

Source: Data Processed, 2025

Table 6 shows that there are four economic sectors with potential for development in Belu Regency, namely (1) the agriculture, forestry, and fisheries sector; (2) the wholesale and retail trade, repair of motor vehicles and motorcycles sector; (3) the financial services sector; and (4) real estate. The agriculture, forestry, and fisheries sector has been prominent from the beginning compared to other sectors, while the other three sectors have LQ values close to 1 (as shown in Table 3), with share (PR), Proportional Shift (PS), Differential Shift (DS), and SSA components above 0 or positive, and Klassen's development shifting and remaining in quadrant I. It can be said that these four economic sectors are valuable assets for moving forward for Belu Regency, which is currently classified as an underdeveloped area.

CONCLUSION AND RECOMMENDATION

In conclusion, Belu Regency has four leading sectors ready for development to accelerate regional economic growth. From the beginning, the agriculture, forestry, and fisheries sectors have demonstrated a competitive advantage, and the wholesale and retail trade (including vehicle repair), financial services, and real estate sectors have Location Quotient (LQ) values close to 1, positive PR, PS, DS, and SSA components, and are located in quadrant I according to the Klassen analysis. These four sectors are strategic foundations for transforming Belu's status from a lagging region to one with inclusive growth that spreads economic benefits evenly.

As recommendation, Belu Regency government should develop integrated policies that support modernization and diversification in each sector. In agriculture, they should encourage the adoption of precision agricultural technology, develop downstream products, and strengthen partnership between farmers and industries. In the trade sectors improve transportation infrastructure and market access and provide entrepreneurship training to MSMEs. In the financial services sector, expand microfinance services and accelerate transaction digitization to foster financial inclusion. The real estate sector can be developed through integrated spatial planning, incentives for property investors, and construction of affordable housing. Maintain growth momentum and ensure that the benefit are felt by all levels of society through cross-sector synergies, local institutional assistance, and regular performance monitoring.

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