


## Basic and Potential Sectors Driving Economic Growth in Bulungan Regency

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### Abstract

*Bulungan Regency, as the capital of North Kalimantan Province, can become a new growth center in the province. This study aims to identify the basic economic sectors and potential drivers of economic growth in Bulungan Regency. This study uses data from the Central Statistics Agency (BPS) of Bulungan Regency and North Kalimantan Province for 2023-2025. The data analysis technique used was the Location Quotient (LQ) to identify basic sectors and the Klassen Typology to identify potential sectors in Bulungan Regency. The data analysis shows that the basic sectors in Bulungan Regency are agriculture, forestry, and fisheries; industrial management, construction; water supply; waste management, waste and recycling; information and communication; real estate; government administration; defense; and mandatory social security; education; and other services. The data analysis also indicates that potential sectors in Bulungan Regency are construction and financial and insurance services. The Bulungan Regency government can provide significant support to these potential sectors by providing easier financial access. Investors have the opportunity to invest in several potential sectors. Investors can also invest in sectors that have developed and grown rapidly in Bulungan Regency. The **contribution of this research** lies in providing a comprehensive understanding of the basic and potential sectors that can drive economic growth in Bulungan Regency.*

*Keywords: Basic Sectors, Economic Growth, Growth Pole, and Potential Sectors*

*JEL Classifications: R11 and O18*

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### Introduction

Development aims to improve people's welfare. The success of development can be seen in economic growth, economic structure, and the narrowing of income disparities among residents, regions, and sectors. The primary goal of economic development efforts, in addition to achieving maximum growth, must also be to eliminate or reduce poverty, unemployment, and income inequality (Todaro & Smith, 2020). This aligns

with the eighth Sustainable Development Goal, which is to promote inclusive and sustainable economic growth, productive and comprehensive employment opportunities, and decent work for all. A good understanding of Bulungan Regency's economic structure can help achieve this goal.

Bulungan Regency is strategically located as the capital of North Kalimantan province. According to the Bulungan Regency Central Statistics Agency (2026), the growth rate of gross regional domestic product (GRDP) at current prices in Bulungan Regency in 2025 was 5.40 percent. Bulungan Regency's GRDP distribution is 17.93 percent of the GRDP at current prices in North Kalimantan Province. Meanwhile, Malinau Regency was 11.97 percent, Tana Tidung Regency was 6.15 percent, Nunukan Regency was 26.92 percent, and Tarakan City was 37.68 percent. The growth rate of Bulungan Regency's gross regional domestic product (GRDP) by expenditure in 2025 is household final consumption at 4.98 percent, government final consumption at -2.92 percent, and gross fixed capital formation at 9.28 percent. The distribution of Bulungan Regency's gross regional domestic product at current prices in 2025 is: the primary sector at 38.73 percent, the secondary sector at 30.29 percent, and the tertiary sector at 30.98 percent.

Bulungan Regency has a comparative advantage as a new growth center in North Kalimantan. In addition, the Indonesian Green Industrial Area (KIHI), a national strategic project (PSN), is being developed in Bulungan Regency, which is projected to become a green industrial park. This position can increase the demand for goods and services, which ultimately increases the demand for labor. This demand for labor can reduce unemployment and poverty in the Bulungan Regency. According to the Bulungan Regency Central Statistics Agency (2026), the percentage of poor people in Bulungan Regency in 2025 was 7.26 percent (9.92 thousand people). This percentage of poor people in Bulungan Regency is the highest in the province.

The open unemployment rate in Bulungan Regency in 2025 is 4.14 percent (3,765 people). However, according to Kurniawan et al. (2025), the minimum wage does not affect unemployment in North Kalimantan. This explains why employers do not reduce their labor demand when the minimum wage increases. According to Kurniawan et al. (2025), a decrease in unemployment can increase the life expectancy. Economic growth in Bulungan Regency increases income and improves health outcomes.

The growth of the basic sector will drive the growth of other sectors in the Bulungan Regency. According to Imantria (2024), industrial agglomeration increases economic growth. According to Nababan and Robertus (2024), agglomeration influences regional inequality. Yanuarti and Rachmawati (2024) found that industrial agglomeration causes regional inequality. The base sector in Bulungan Regency can meet the demand from other regencies/cities in North Kalimantan. This study identifies the basic and potential economic sectors of Bulungan Regency. The Bulungan Regency Government can encourage economic growth through development planning by allocating resources to the appropriate sectors. Investors have the opportunity to invest in potential sectors.

### **Literature Review**

According to Arsyad (2016), the economic base theory explains that the primary determinant of a region's economic growth is directly related to the demand for goods

and services from outside it. The growth of industries that utilize local resources, including labor and raw materials for export, will generate regional wealth and create employment opportunities. The weakness of this theory is that it is based on external rather than internal demand. This ultimately leads to a high degree of dependence on national and global market forces. This model is useful for determining the balance between the types of industries and sectors needed by the community to foster economic stability.

Achieving economic development requires various considerations and calculations to ensure its implementation. One method that can be used in planning a region's economic development is to identify the base or leading sector within a region. This base sector can be further developed without neglecting other sectors of the economy. Base activities are the primary drivers of a region's growth. The greater a region's exports to other regions, the more advanced its growth will be and vice versa. Any change in the basic sector will have a multiplier effect on the regional economy (Adisasmita, 2018).

According to Kuncoro (2019), the Growth Pole Theory is a spatial development approach that emphasizes the concentration of growth in certain centers as a strategy to encourage the diffusion of development to wider areas. The economic growth process does not occur evenly within a region but is concentrated at certain points known as growth poles. These poles are typically regions, cities, or leading industrial sectors with high innovation, investment, and productivity. Economic agglomeration occurs when industrial activity tends to be concentrated in certain locations because of the advantages of economies of scale, market proximity, and distribution efficiency. Therefore, regional development is directed toward the development of strategic growth centers, which are expected to accelerate overall regional development.

### Research Methods

This study was conducted using a quantitative descriptive approach to identify the basic and potential sectors in Bulungan Regency. The data used in this study were obtained from the Central Statistics Agency (BPS) of Bulungan Regency and North Kalimantan Province for the years 2023-2025. This study used the gross regional domestic product (GRDP) data at current prices.

The location quotient (LQ) was used to identify the basic sectors in Bulungan Regency. According to Morrissey (2016), the location quotient (LQ) is a measure used to identify basic or leading sectors and subsectors of the economy. According to Arsyad (2016), a basic sector is a sector in a region that has demand from within the region and outside the region. A non-basic sector is a sector in a region that has demand within the region. The basic sector's production exceeds local needs, sells outside the region or is exported, and is a major driver of regional economic growth. The basic sector acts as a regional economic driver because it generates external income, drives the growth of other sectors, and creates employment.

Based on Shentu and Hamdan (2026), Nurokhati and Robertus (2023), and Pratiwi and Kuncoro (2016), the formulation for calculating the location quotient (LQ) is as follows.

$$LQ = \frac{q^i / q^r}{Q^i / Q^n} \quad (1)$$

In the formula,  $q_i$  represents a business sector in Bulungan Regency,  $q_r$  also represents a business sector in Bulungan Regency, while  $Q_i$  and  $Q_n$  represent a business sector in North Kalimantan Province. The interpretation is simple: if the  $LQ$  value exceeds 1, that business sector qualifies as a basic sector in Bulungan Regency. Conversely, if the  $LQ$  falls below 1, the business sector is not a basic sector in Bulungan Regency.

Second, the data analysis technique used to identify potential sectors in Bulungan Regency is the Klassen Typology. According to Kuncoro (2019), the Klassen Typology is used to group regions based on economic growth and per capita income to determine the pattern and structure of a region's economic growth. According to Arsyad (2016), a potential sector is an economic sector that has a production capacity higher than local demand and is capable of exporting goods or services to other regions. A potential sector is an economic sector that has not yet become a basic sector but has significant potential for future growth owing to significant support.

Based on Aulia et al. (2025), Pratiwi and Kuncoro (2016), and Amriani and Ariani (2022), the formulation for calculating the Klassen Topology is as follows.

Table 1. Grouping Based on Class Typology

	Sectoral GRDP per capita above growth average ( $y_i > y$ )	GRDP per capita below average ( $y_i < y$ )
Sectoral Contribution		
Above average economic growth ( $r_i > s$ )	Quadrant 1 Advanced and rapidly growing sectors	Quadrant 2 Advanced but depressed quadrant
Below average economic growth ( $r_i < s$ )	Quadrant 3 Potential sectors or those with the potential to grow rapidly	Quadrant 4 Relatively underdeveloped sectors

### Results and Discussion

Table 2 presents the distribution of Bulungan Regency's gross regional domestic product (GRDP) at current prices by industry for 2025. Based on these data, Table 3 identifies the region's basic sectors. Specifically, Table 3 shows the results of location quotient (LQ) calculations, which reveal that nine sectors are expected to be basic sectors in Bulungan Regency in 2025: agriculture, forestry, and fisheries (LQ: 1.02); manufacturing (1.54); construction (1.22); water supply, waste management, and recycling (1.23); information and communication (1.00); real estate (1.41); government administration, defense, and compulsory social security (1.44); educational services (1.49); and other services (1.29).

In contrast, the non-basic sectors include mining and quarrying (0.88); electricity and gas supply (0.67); wholesale and retail trade, including car and motorcycle repair (0.67); transportation and warehousing (0.60); accommodation and food and beverage services (0.88); financial services (0.83); business services (0.55); and health services and social activities (0.83).

Additionally, Table 3 shows that the basic sectors in 2024 (with  $LQ > 1$ ) remain unchanged in 2025. This consistency suggests that the economic growth and development patterns in Bulungan Regency will stay stable between 2024 and 2025.

Table 2. Gross Regional Domestic Product (GRDP) at Current Prices for Bulungan Regency 2024-2025 (Billion Rupiah)

No	Category/Business Field	2024	2025
1	Agriculture, forestry, and fisheries	3,919.4	4,194.8
2	Mining and quarrying	6,887.49	6,497.37
3	Processing industry	3,340.11	3,732.62
4	Electricity and gas supply	10.5	10.79
5	Water supply, waste management, and recycling	17.35	19.57
6	Construction	3,463.27	4,598.4
7	Wholesale and retail trade; car and motorcycle repair	2,315	2,544.48
8	Transportation and warehousing	1,230.01	1,239.93
9	Provision of accommodation and food and beverage services	385.94	430.78
10	Information and communication	693.43	724.33
11	Financial services	251	265.88
12	Real estate	238.11	257.18
13	Corporate services	28.45	30.13
14	Government administration, defense, and compulsory social security	1,586.51	1,580.85
15	Educational services	941.73	989.34
16	Healthcare services and social activities	214.29	224.12
17	Other services	246.31	265.81
Gross Regional Domestic Product (GRDP)		25,768.88	27,606.37

Source: BPS (2026b)

Table 3. Location Quotient (LQ) Analysis Results for 2024-2025

No	Category/Business Field	2024	2025
1	Agriculture, forestry, and fisheries	1.03	1.02
2	Mining and quarrying	0.93	0.88
3	Processing industry	1.57	1.54
4	Electricity and gas supply	0.69	0.67
5	Water supply, waste management, and recycling	1.15	1.23
6	Construction	1.04	1.22
7	Wholesale and retail trade; car and motorcycle repair	0.69	0.67
8	Transportation and warehousing	0.63	0.60
9	Provision of accommodation and food and beverage services	0.90	0.88
10	Information and communication	1.03	1.00
11	Financial services	0.83	0.83
12	Real estate	1.42	1.41
13	Corporate services	0.55	0.55
14	Government administration, defense, and compulsory social security	1.45	1.44
15	Educational services	1.48	1.49
16	Healthcare services and social activities	0.85	0.83
17	Other services	1.31	1.29

The results of the Klassen Typology analysis in Table 4, using the gross regional product (GRDP) approach at current prices, show several sector classifications. There are three advanced and rapidly growing sectors in Bulungan Regency: agriculture, forestry, and fisheries; water supply, waste management, waste and money recycling; and educational services. The Klassen Typology analysis shows potential sectors in Bulungan Regency: construction, financial services, and insurance. These sectors have the potential to progress and develop rapidly.

Table 4. Sector Grouping Based on Classification Typology

	Sectoral growth	GRDP per capita above average ( $y_i > y$ )	GRDP per capita below average ( $y_i < y$ )
Sectoral Contribution			
Above average economic growth ( $r_i > s$ )	Quadrant 1 (Advanced and rapidly growing sectors) 1. Agriculture, forestry, and fisheries 2. Water supply, waste management, and recycling 3. Educational services		Quadrant 2 (Advanced but depressed quadrant) 1. Mining and quarrying 2. Manufacturing industry 3. Real estate 4. Government administration, defense, and compulsory social security 5. Other services
Below average economic growth ( $r_i < s$ )	Quadrant 3 (Potential sectors or those with the potential to grow rapidly) 1. Construction 2. Financial and insurance services		Quadrant 4 (Relatively underdeveloped sectors) 1. Electricity and gas supply 2. Wholesale and retail trade, car and motorcycle repair 3. Transportation and warehousing 4. Provision of accommodation and food and beverage services 5. Information and communication 6. Corporate services 7. Health services and social activities

The advanced and rapidly growing sectors and the advanced but depressed sectors remain the driving sectors for Bulungan Regency's economic growth. Businesses in potential economic sectors require significant support to grow and survive. Investors also need to be facilitated in Bulungan Regency. The Bulungan Regency Government must maintain a conducive investment climate. According to Maneejuk and Yamaka (2021), improving the quality of human resources through education drives economic growth. The Bulungan Regency Government is improving the quality of human resources to drive economic growth in the region.

**Conclusion**

Bulungan Regency can become a new growth center in North Kalimantan because it has nine basic sectors that drive economic growth. The Bulungan Regency Government can focus its resources on these basic sectors by optimizing budget allocations and developing the infrastructure needed by these sectors. Two potential sectors could receive significant support to drive economic growth in the Bulungan Regency. The implications of this research are that the Bulungan Regency Government can significantly boost and maintain basic sectors.

The Bulungan Regency Government can also provide significant support in the form of ease of doing business to attract new investors to the region. Entrepreneurs need easy access to People's Business Credit (KUR) to develop their businesses further. Scholarships for high-achieving students are an option for the Bulungan

Regency Government to improve the quality of human resources, which ultimately drives economic growth in the region.

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