

Development of Regional Potential in Optimizing Economic Growth

Optimizing Regional
Economic

Nuryana Haprin Dj Achmad
Universitas Tadulako; Palu, Indonesia
E-Mail: yanadjachmad@gmail.com

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Patta Tope
Universitas Tadulako; Palu, Indonesia
E-Mail: patta.tope@gmail.com

Yunus Sading
Universitas Tadulako; Palu, Indonesia
E-Mail: yunussading.iesp@gmail.com

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ABSTRACT

This study aims to identify economic potential in a particular region by determining the leading sectors and commodities that have high competitiveness. The analysis was conducted using quantitative methods through the Location Quotient (LQ) and Revealed Comparative Advantage (RCA) approaches that focus on measuring the relative advantages of economic sectors. Based on the results of the LQ analysis, the leading sector identified is the tobacco processing industry with an LQ value of 7.52, indicating a high concentration of activity compared to other regions. The next sector is the gas procurement and ice industry with an LQ value of 6.30, and the food crop subsector in the agricultural sector with an LQ value of 3.76. The RCA analysis revealed that rice is a leading commodity with the highest RCA value, namely 1.64, followed by sweet potatoes with an RCA value of 1.18. Furthermore, the RCACost analysis that takes into account the cost factor of economic activities strengthens the position of rice as a leading and sustainable commodity, with an RCACost value of 1.51.

Keywords: Comparative Advantage, Superior Commodities, Superior Sectors, Location Quotient, Economic Development.

ABSTRAK

Penelitian ini bertujuan untuk mengidentifikasi potensi ekonomi di suatu daerah tertentu melalui penentuan sektor unggulan dan komoditas yang memiliki daya saing tinggi. Analisis dilakukan dengan menggunakan metode kuantitatif melalui pendekatan Location Quotient (LQ) dan Revealed Comparative Advantage (RCA) yang berfokus pada pengukuran keunggulan relatif sektor-sektor ekonomi. Berdasarkan hasil analisis LQ, sektor unggulan yang teridentifikasi adalah industri pengolahan tembakau dengan nilai LQ sebesar 7,52, menunjukkan konsentrasi aktivitas yang tinggi dibandingkan daerah lain. Sektor berikutnya adalah pengadaan gas dan industri es dengan nilai LQ 6,30, serta subsektor tanaman pangan dalam sektor pertanian dengan nilai LQ sebesar 3,76. Analisis RCA mengungkap bahwa padi merupakan komoditas unggulan dengan nilai RCA tertinggi, yaitu 1,64, diikuti oleh ubi jalar dengan nilai RCA sebesar 1,18. Selanjutnya, analisis RCACost yang memperhitungkan faktor biaya kegiatan ekonomi memperkuat posisi padi sebagai komoditas unggulan dan berkelanjutan, dengan nilai RCACost sebesar 1,51.

Kata kunci: Keunggulan Komparatif, Komoditas Unggul, Sektor Unggul, Kecerdasan Lokasi, Pembangunan Ekonomi.

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INTRODUCTION

Regional economic development is essential for promoting inclusive and sustainable growth. Success depends on strategies that leverage local potential—natural resources, labor, and geographic advantages—to enhance competitiveness and societal welfare. David Ricardo's theory of comparative advantage underpins this approach, suggesting that regions should specialize in goods with the lowest opportunity cost to maximize efficiency and trade benefits (Dokić et al., 2019; Rahman, 2023). In Indonesia, inter-regional economic inequality remains a major issue. According to the BPS (2023), eastern Central Sulawesi contributed 70.68% to the province's economic output, while the western region contributed only 24.12%. This disparity highlights the untapped potential of the western region, including Parigi Moutong Regency. Strategically located as an inland support area for food and fisheries, Parigi Moutong has strong potential in agriculture, fisheries, and agroindustry (Aida & Alvaro, 2021).

Unlocking this potential requires more than identifying resources—it demands targeted investments, infrastructure development, and human resource enhancement. Rifai and Djamaluddin (2024) argue that investment accelerates regional growth through efficient and sustainable resource allocation. Furthermore, Belderbos et al. (2022) emphasize that digital technology and tech-driven diversification are crucial for improving competitiveness. However, Lavoratori and Castellani (2021) caution that clustering economic activities can produce negative externalities such as congestion, excessive competition, and knowledge spillovers, which may limit the growth of top-performing firms. Therefore, a comprehensive approach is needed to manage regional potential effectively. Amid global economic uncertainties, enhancing regional development based on comparative advantage is increasingly vital to reduce vulnerabilities and inequalities (Purba et al., 2021). Tools like Location Quotient (LQ) and Revealed Comparative Advantage (RCA) are useful for identifying leading sectors based on local export strengths. However, their application at the regency level is limited due to data constraints. This study focuses on Parigi Moutong Regency to evaluate sectoral potential using LQ and RCA, combined with Ricardo's theory, to propose inclusive and sustainable development strategies. Several core issues are evident in Parigi Moutong: economic disparities within Central Sulawesi, underutilized leading sectors like agriculture and fisheries, limited implementation of LQ and RCA methods due to a lack of local export data, and weak integration between Ricardo's comparative advantage and economic value chain analysis. Additionally, negative externalities from dense economic clusters hinder the advancement of key sectors (Dokić et al., 2019).

Previous studies confirm the relevance of comparative advantage. Dokić et al. (2019) demonstrate how identifying sectors with the lowest opportunity cost can improve resource allocation. Rahman (2023) notes that prioritizing leading commodities enhances production and trade benefits, the efficiency of strategies based on comparative advantage. Rifai and Djamaluddin (2024) stress the importance of strategic investment, though Lavoratori and Castellani (2021) remind us of the risks posed by competition and spillovers. Belderbos et al. (2022) advocate for diversification through technology, and Suryaningrum and Mulyanto (2022) emphasize the importance of value chain analysis. However, Tedesco et al. (2023) identify limitations in local export data, which hinders the application of LQ and RCA at a granular level. Moreover, Evenett (2017) points out that prior research often overlooks local inter-regional export dynamics, which are crucial for enhancing competitiveness. Despite these insights, few studies have applied comparative advantage theory to regency-level export data or incorporated value chain analysis and digital technology integration. Fiscal policy considerations are also rarely addressed. This study aims to close these gaps by identifying Parigi Moutong's leading sectors using LQ and RCA, developing a model that integrates Ricardo's theory with value chain analysis, and proposing inclusive strategies that contribute to the literature on inter-regional trade based on local exports.

LITERATURE REVIEW

Strategic Foundations for Regional Economic Development

Regional economic development plays a vital role in fostering growth and prosperity. Its success depends on strategies aligned with local strengths and available resources. Effective policies can enhance efficiency, optimize resource use, and stabilize the economy by considering factors such as investment climate, government support, and resource access (Ajisafe & Okunade, 2020a; Alimi et al. 2020; Nasikh, 2021). David Ricardo's comparative advantage principle serves as a foundation for determining the most profitable production types with the lowest opportunity cost (Dokić et al., 2019). Focusing on commodities with comparative advantages can increase total production and trade benefits, thereby enhancing overall economic efficiency (Rahman, 2023). Regional economic growth is heavily influenced by investment policies aimed at optimizing regional potential (Rifai & Djamaluddin, 2024). Regional investments play a key role in accelerating economic growth through efficient and sustainable resource allocation (Rodhiah & Bravo, 2023). However, clustering economic activities can generate negative externalities, such as increased production costs due to congestion and intense competition (Lavoratori & Castellani, 2021; Schetter, 2022). Therefore, economic development strategies must be supported by technology-based diversification to strengthen competitiveness and regional competitive advantages (Belderbos et al., 2022).

Optimizing regional potential requires investments, infrastructure development, and human resource enhancement to support sustainable regional development. Developing regional potential can be achieved through identifying comparative advantages and setting strategic priorities. Each region should focus on sectors with unique and high economic value to enhance competitiveness in global markets (Lopreite & Zhu, 2020; Odhiambo, 2021; Olayiwola, 2022). A structured approach is key to developing high-value products to drive long-term economic growth (Vasilyeva et al., 2022; Hosnaidah et al., 2023; Wildanika et al., 2024; Susanto et al., 2024).

Analytical Tools and Policy Directions for Regional Competitiveness

Economic planning should incorporate cost-effectiveness considerations to ensure sustainable and efficient allocation of public resources, particularly in sectors such as health and infrastructure, which are integral to regional resilience (Edoka & Stacey, 2020). The use of digital technology and labor utilization are also major drivers in LQ and RCA-based regional potential management models (Martyanova et al., 2021). The Location Quotient (LQ) and Revealed Comparative Advantage (RCA) approaches are used to identify leading sectors based on local export data. LQ measures the concentration of an industry in a specific region compared to others, while RCA measures comparative advantage through export performance (Dovletmurzayeva et al., 2023). Although these tools are effective, their application at the regency level is limited due to local export data constraints. This study integrates LQ and RCA with comparative advantage theory to identify priority leading sectors (Okunade, 2020; Okunade et al., 2023).

Economic value chain analysis encompasses production, distribution, and consumption stages to optimize regional potential. This approach is strengthened by Von Thünen's Location Theory, which considers distance as a determinant of production and distribution costs (Ajisafe & Okunade, 2020b; Suryaningrum & Mulyanto, 2022). Combining Ricardo's comparative advantage with Von Thünen's location theory provides a robust analytical framework for understanding regional economic dynamics and formulating sustainable development strategies. The global economic downturn underscores the importance of strengthening regional economic development to reduce structural vulnerabilities (Purba et al., 2021; Alao et al., 2024). Challenges such as economic disparities, excessive competition, and limited local export data must be addressed through holistic strategies. Opportunities, such as leveraging digital technology, sector diversification, effective governance, and cost-effective policy frameworks, can drive independent and prosperous regional development (Edoka & Stacey, 2020; Zulfikar et al., 2025).

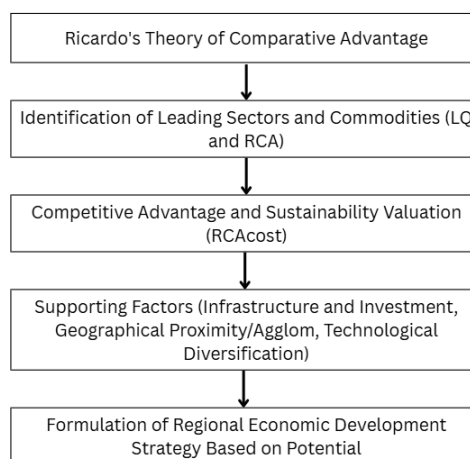


Figure 1. Research Framework

Figure 1 show research framework integrates Ricardo's comparative advantage theory, the Location Quotient (LQ) approach, Revealed Comparative Advantage (RCA), and RCAcost to identify and evaluate leading sectors and commodities in Parigi Moutong. LQ is used to determine the base sector, RCA to measure commodity advantages, and RCAcost to assess production efficiency and sustainability. This framework also considers geographic factors, infrastructure, and economic agglomeration as supporters of regional competitiveness. The results of this approach are used to formulate a regional economic development strategy based on inclusive, efficient, and sustainable local potential.

METHODS

This study employs a quantitative-descriptive approach to identify leading economic sectors in Parigi Moutong Regency by applying David Ricardo's theory of comparative advantage, supported by the Location Quotient (LQ) and Revealed Comparative Advantage (RCA) methods. Parigi Moutong was selected due to its strategic location in western Central Sulawesi, yet it contributes relatively little to the province's GDP. Key sectors such as agriculture, fisheries, and agroindustry hold strong development potential if guided by targeted and strategic planning.

Secondary data were collected from official sources, including the Central Statistics Agency (BPS), local government departments, and relevant academic literature. The LQ method helps identify base sectors by measuring the concentration of economic activity in Parigi Moutong compared to provincial averages. RCA analysis complements this by estimating the comparative export strength of these sectors, although regency-level export data is limited. In such cases, proxies such as production value and inter-regional distribution are used to calculate RCA scores.

In addition to LQ and RCA, this study incorporates value chain analysis to understand the entire process of production, distribution, and consumption within selected sectors. The analysis is enriched using Von Thünen's location theory to evaluate spatial and logistical efficiency, particularly for sectors that rely heavily on geographic accessibility and transportation costs. This integrated analytical framework offers a more holistic understanding of sectoral competitiveness and regional economic potential.

Findings from the LQ and RCA analyses, combined with value chain perspectives, are triangulated with existing studies and local contextual factors to derive practical policy recommendations. These recommendations aim to support regional development planning and investment prioritization based on sectors with proven comparative advantages and value chain potential. Ultimately, the study provides a comprehensive view of Parigi Moutong's economic strengths and the strategic steps needed to enhance

regional productivity. By identifying sectors with both competitive advantage and logistical feasibility, the research contributes to the formulation of more effective regional economic policies aimed at achieving inclusive and sustainable growth in Parigi Moutong Regency.

RESULTS

Based on Parigi Moutong Regency's GDP growth data from 2019 to 2023, there are significant fluctuations in various economic sectors. Overall, total GDP growth shows a recovery pattern after contracting -4.95 percent in 2020, with positive growth of 4.67 percent in 2021, 3.71 percent in 2022, and stable at 3.5 percent in 2023. This reflects that the post-pandemic economic recovery is going quite well, although there are still sectors that are experiencing a slowdown in growth. GDP growth by sector as a whole can be seen in the following table:

Table 1. Parigi Moutong Regency GDP Growth Rate by Economic Sector

Economic Sector	2019	2020	2021	2022	2023
Agriculture, Animal Husbandry, Hunting and Agricultural Services	(1.03)	(0.77)	3.63	2.27	2.21
Mining and Quarrying	9.62	(12.22)	4.57	2.23	4.02
Processing Industry	4.72	(1.01)	2.08	3.27	2.69
Electricity and Gas Procurement	2.18	3.17	4.04	7.21	6.87
Water Procurement, Waste Management, Waste and Recycling	0.85	3.07	4.49	3.12	3.31
Building	6.76	(9.62)	4.99	4.5	2.63
Wholesale and Retail Trade, Car and Motorcycle Repair	1.59	(7.25)	6.89	4.96	5.81
Transportation and Warehousing	4.92	(32.42)	4.53	14.44	5.34
Accommodation and Food Provision	0.72	(10.37)	8.06	8.67	8.2
Information and Communication	8.8	9.11	8.92	8.94	6.99
Financial and Insurance Services	1.68	14.45	7.95	(0.74)	1.68
Housing	0.46	0.53	2.66	6.01	5.82
Corporate Services	6.27	(2.72)	1.6	5.69	5.55
Administration, Defense and Social Security Mandatory	5.17	1.62	5.67	0.01	3.16
Educational Services	3.88	(1.83)	4.19	1.63	4.58
Health Services and Social Activities	8.28	7.42	4.05	4.57	5.07
Other Services	1.85	(0.01)	4.31	4.65	5.59
Gross Regional Domestic Product	2.21	(4.95)	4.67	3.71	3.5

In 2020, the COVID-19 pandemic caused contractions in almost all sectors, based on data in Table 1 GRDP Growth Rate of Parigi Moutong Regency by Economic Sector data in percentage shows that Transportation and Warehousing experienced a decline of -32.42 percent, Mining -12.22 percent, and Trade -7.25 percent experienced a significant decline due to mobility restrictions and weakening global demand. 2021 marked the beginning of recovery, with the Accommodation and Food and Beverage sector increasing by 8.06 percent and Trade by 6.89 percent due to increased economic activity. This positive trend continued in 2022 with Transportation and Warehousing growing by 14.44 percent and Electricity and Gas Supply increasing by 7.21 percent, reflecting industrial recovery. In 2023, economic growth stabilized, with the Information and Communication sector continuing to grow at a slower pace of 6.99 percent, while Financial Services, which had contracted again, was positive, by 1.68 percent, indicating post-pandemic stabilization. Location Quotient (LQ) analysis serves the purpose of pinpointing the dominant economic industries in Parigi Moutong Regency. To determine the LQ, the additional value generated by each industry is assessed against the regional economy as a whole. The findings from this analysis reveal industries that possess competitive strengths and opportunities for further growth. Additionally, by grasping the trends in economic specialization, regional authorities can devise more focused policies. Below are the results from the LQ calculations for Parigi Moutong Regency.

Table 2. Production data (tons) on the food crop subsector in 2019-2023 in Parigi Moutong Regency

Food crop commodities subsector	2019	2020	2021	2022	2023
Rice	274.913	243.640	342.942	281.002	295.378
Corn	69.872	58.412	60.027	41.131	30,336.8
Soybean	1.675	186	0	452	49
Kacang	538	241	340	238	352.6
Green beans	62	35	45	36	89.5
Cassava	3.179	3.579	2.735	1.435	1,745.7
Sweet potato	4.362	3.464	4.429	3.356	4,408
Total	354.601	309.557	410.518	327.650	332359.6

Based on the Table 2, the commodity with the largest production throughout the year in the food crop subsector in Parigi Moutong Regency is rice, with the highest production reaching 342,942 tons in 2021. In contrast, the lowest producing commodity is mung beans, which have the smallest production volume in any observable year, with a low of 35 tonnes in 2020. The production fluctuations that occur in each commodity reflect the dynamics of the agricultural sector in the area, which can be influenced by various factors such as weather conditions, land availability, and agricultural policies implemented. The determination of leading commodities in Parimo District was carried out by calculating the RCA value in the food crop subsector. This calculation compares the economic value of each commodity at the district level with the same economic value at the Central Sulawesi Province level. The resulting RCA value reflects the comparative advantage of a commodity at the regional level, which is the basis for determining development potential and priorities (Elryah, 2019).

Table 3. Identification of Parigi Moutong's leading commodities based on the RCA Approach

Food crop commodities subsector	2019	2020	2021	2022	2023	Average RCA Score
Rice	1.43	1.58	1.63	2.26	1.30	1.64
Corn	0.54	0.47	0.39	0.26	0.41	0.41
Soybean	1.38	0.27	0	0.29	0.01	0.39
Kacang	1.1	0.6	0.57	0.74	0.48	0.7
Green beans	0.74	0.49	0.4	0.93	1.05	0.72
Cassava	0.3	0.47	0.24	0.22	0.25	0.3
Sweet potato	1	1.22	0.92	1.07	1.69	1.18

Based on Table 3, rice (1.64) and sweet potato (1.18) have the highest RCA values in Parigi Moutong, reflecting strong comparative advantages in production and trade. These commodities are more cost-efficient to produce than in other regions and are key to regional agricultural development. When considered with local export data, they form a basis for strategic policies to boost production and market access. Focusing on these commodities can enhance Parigi Moutong's domestic and international competitiveness, offering significant economic benefits. In contrast, cassava, with a low RCA value of 0.30, shows limited competitiveness due to factors such as restricted land, low productivity, and inadequate support. Thus, agricultural strategies should prioritize rice and sweet potato development to stimulate regional economic growth (Tedesco et al., 2023).

A qualitative study involving rice farmers, millers in Parigi Moutong, and consumers in Palu City provides detailed cost analysis. A farmer managing 2 hectares incurs IDR 5,610,000 in labor and IDR 10,990,000 in raw materials. Planting wages total IDR 4,000,000, while land preparation costs IDR 1,040,000. Weeding and pest control add IDR 520,000, and fertilization costs IDR 600,000. Drying 300 sacks costs IDR 1,800,000 (IDR 6,000 per sack), and milling 33 tons costs IDR 1,650,000 (IDR 50,000 per ton). Raw material costs include plowing (IDR 4,000,000) and planting machinery (IDR 4,200,000). Seed costs total IDR 900,000 (2 sacks of Imperi seeds at IDR 450,000 each). Fertilizer (6 sacks of subsidized urea at IDR 115,000) costs IDR 690,000. Pesticide costs reach IDR 1,200,000 (4 bottles at IDR 300,000 each). Distribution costs are minimal, with buyers

picking up rice directly, estimated at IDR 2,000,000 for transport and labor. A household in Palu City consuming 40 kg of rice monthly at IDR 13,000/kg spends IDR 520,000.

The RCA Cost approach shows the following results:

$$RCA_{cost} = \left(\frac{x_{ij}}{x_j} - \frac{(c_p + c_d + c_c)}{x_{ij}} \right) \div \left(\frac{x_{iw}}{x_w} \right)$$

$$RCA_{cost} = \left(\frac{1869237500}{2370552680} - \frac{(105900000 + 2000000 + 520000)}{1869237500} \right) \div \left(\frac{5314141729}{10999546129} \right)$$

$$RCA_{cost} = (0.7886 - 0.0578) \div 0.4831 = 0.7308 \div 0.4831 = \boxed{1.51207987}$$

Ultimately, based on the results of RCAcost above, it shows an index number of more than one (1) or 1.512 which shows that the rice commodity of Parigi Moutong Regency has comparative advantages and competitive advantages and is sustainable (efficient in production, distribution and consumption costs).

DISCUSSION

According to Andersson et al. (2019) and Suryaningrum and Mulyanto (2022), urban areas demonstrate higher levels of productivity due to their proximity to essential infrastructure and market opportunities. This highlights how the clustering of businesses significantly enhances both firm and employee output by fostering efficiency, specialization, and better resource allocation. Within the framework of agglomeration economies, spatial proximity and interconnected economic systems play a pivotal role. Mariotti et al. (2019) emphasized that the existence of robust supply chains and dense labor markets is a key determinant in the formation and sustainability of agglomerated economic regions. These factors allow businesses to leverage knowledge spillovers, reduce transaction costs, and access skilled labor more easily. Efimenko et al. (2019) further argued that each city has distinct comparative advantages that influence its capacity to foster innovation and attract investment. In this context, Parigi Moutong—due to its geographic proximity to Palu—possesses strategic potential to capitalize on the agglomeration economy as a driver of local economic growth. By enhancing logistical and distribution networks, especially for key commodities like rice, Parigi Moutong can improve market access, reduce costs, and stimulate agricultural productivity. Fauzi et al. (2019) also supported the idea that regions can thrive by identifying and optimizing the production of leading commodities, while Hausmann et al. (2022) noted that implied comparative advantage can help guide such specialization decisions effectively.

Improved infrastructure and strategic connectivity to economic centers like Palu will enable Parigi Moutong's agricultural sector to expand beyond subsistence and towards commercial viability. This not only enhances local livelihoods but also supports the region's long-term development through increased value-added production. However, Mariotti et al. (2019) also warned that multinational enterprises often hesitate to invest in overly specialized or isolated areas due to limited access to diverse skills and innovation ecosystems. Rosenthal and Strange (2020) highlighted that the spatial reach of agglomeration economies is crucial—productivity gains are strongest when firms are in close proximity, and they diminish with increasing distance. This is echoed by Verstraten et al. (2019), who found that agglomeration positively affects productivity growth, particularly when proximity is maintained. Lavoratori and Castellani (2021) similarly noted that microgeographic closeness among firms intensifies these benefits.

Aida and Alvaro (2021) underscored the importance of assessing regional shifts in productivity—especially under disruptions like pandemics—to develop adaptive regional strategies. Therefore, economic development planning for Parigi Moutong must carefully balance geographic advantages, resource potential, and integration into broader markets.

By promoting inclusive policies and infrastructure development, the region can fully harness agglomeration benefits, foster rural development, enhance resilience, and support equitable, sustained economic growth.

CONCLUSION

This study aims to identify leading sectors and commodities in Parigi Moutong Regency using the Location Quotient (LQ) and Revealed Comparative Advantage (RCA) approaches, and to assess the efficiency and desirability of commodities using the RCAcost method. The main problem raised is the inequality of economic contribution between the western and eastern regions of Central Sulawesi, where the western region, including Parigi Moutong, has a low economic contribution despite having large resource potential. The results of the study show that the sector with the highest LQ value is the tobacco processing industry (7.52), followed by gas procurement and industry (6.30), and the agricultural sector, especially the food crop subsector (3.76). Meanwhile, based on the RCA analysis, the leading commodities are rice (RCA 1.64) and sweet potatoes (1.18). Furthermore, the RCAcost calculation of the rice commodity produces a value of 1.51, which indicates that rice has a competitive advantage and is sought after in terms of production costs, distribution, and consumption. The implications of these findings indicate the importance of developing the agricultural sector, especially food crops, as a strategy to increase regional competitiveness and economic welfare. These results can also be the basis for formulating efficient and sustainable local potential-based policies. However, this study has limitations in the availability of local export data which is still limited and the use of case study production cost data. Further research is suggested to expand the RCAcost approach to other commodities, using spatial and panel data, and integrating digitalization and market connectivity factors to provide a more comprehensive picture of regional economic development strategies based on comparative advantages.

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