

Regional Disparities in North Kalimantan: A Decade after Territorial Split

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Abstract

Territorial split is one of the Government of Indonesia's strategies to address regional disparities and promote equitable development along with effective government administration nationwide. Various studies on the impact of territorial splits in the new autonomous regions have indicated that these measures have achieved limited success, particularly during the initial period following the implementation of the Regional Autonomy policy in the early 2000s. North Kalimantan, which was established in 2012 as one of Indonesia's youngest provinces, may present different outcomes compared to other autonomous regions formed during the early stages of these policies. This study aims to analyze the economic development and regional disparities indicators in North Kalimantan before and after the 2012 territorial split. This research utilizes data from the Central Bureau of Statistics of the Republic of Indonesia, including national, provincial, and regency/city levels, aiming to analyze economic development trends from pre- to post-split in 2012, as measured by Gross Regional Domestic Product (GRDP), GRDP per capita, Gini Index, Williamson Index, and Klassen Typology. The findings show that economic development indicators in North Kalimantan have improved following the territorial split. Regional disparities indicators such as the Williamson Index and Klassen Typology Analysis also show an improved situation in North Kalimantan post-split, making it one of the regions that has successfully grown and thrived well after the territorial split. The strong economic potential of North Kalimantan before the territorial split may have played a role in maintaining its economy in the post-split period.

Keywords: Regional Disparities; Territorial Split; North Kalimantan.

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1. Introduction

Indonesia, with its vast geographical expanse, faces significant challenges in achieving equitable development. Addressing these issues has become a central concern for the Indonesian government, receiving considerable attention and effort. Regarding this issue, one of the actions taken by Indonesia's Government is the establishment of "just and equal development" as one of the national development missions in the Long-Term Development Plan (*Rencana Pembangunan Jangka Panjang* or RPJP) from 2005 to 2025. The objective of this mission is to enhance regional development, reduce social disparities, and provide equal access for the community to various social services, as well as economic facilities and infrastructure (Law Number 17 of 2007). In addressing this matter, the Government of Indonesia has implemented several policies and programs to achieve equitable development in Indonesia. These initiatives include financial support through fiscal decentralization, infrastructure development across regions, population redistribution through transmigration programs, and delegating authority through regional autonomy and territorial splits.

Territorial splits in Indonesia have significantly increased since the establishment of Law Number 22 of 1999 on Regional Government. This policy seeks to promote regional development from below by allowing subnational governments greater freedom to choose programs that are closer to the interest of communities and the local and regional development objectives (Talitha et al., 2020) and ensuring that the use of government budgets at the regional level becomes more effective and efficient, aligned with the development needs at the regional level, particularly concerning the improvement of the quality of public services (Firman, 2013). However, findings from several studies related to territorial splits in Indonesia indicate that the territorial split has not yet achieved the desired outcomes, such as economic equalization, poverty reduction, public service delivery, and various other factors (Faotiyah & Salim, 2016; Fatimah & Setyono, 2020; Firman, 2013; Lewis, 2017; Tarigan, 2010; Tryatmoko, 2014). The results of studies by Bappenas and UNDP in 2008, as cited by Tarigan (2010), also state that the outcomes of territorial splits throughout the years 2000 to 2005 generally indicate conditions that the new autonomous regions are not growing better than their "parent regions". Other publications also state that territorial splits can cause disparities in provinces rich in natural resources (Harmadi & Adji, 2020). Before the territorial split in these provinces, each regency was relatively large. As a result, income per capita from mining was spread across a broader geographic area and larger population. Following the provincial split, some new regencies inherited mining resources while others did not. Regencies with access to mining resources experienced significantly higher GRDP per capita compared to those without. This territorial split process has contributed to disparities in GRDP per capita among regencies within these provinces. Meanwhile, other than the economic aspect, it is socially evident that newly created districts tend to be more ethnically homogenous than their originating units, and that boundary changes have reduced incidents of identity-related forms of violence (Pierskalla, 2016). On a broader perspective, decentralization in Indonesia had have minimal impact on regional development, although its political impact has been far-reaching (Hill & Vidyattama, 2016).

Despite several studies indicating that territorial splits and decentralization in Indonesia, especially during the early stages of decentralization, did not yield the expected results, and even caused pressure on the national budget (Maulana, 2019), the strategy

continues to be pursued by the Government of the Republic of Indonesia to achieve equitable development and reduce disparities, particularly in enhancing the effectiveness of local government administration and narrowing the range of regional government control for easier public access. Since 2004, several significant changes to decentralization policy frameworks have occurred, beginning with the revision of regulations on regional and fiscal autonomy that granted local governments greater autonomy in regional development (Talitha et al., 2020). Therefore, newer studies are needed to understand the latest developments in regions established from territorial splits after the earlier period of decentralization. This information can serve as input and recommendations for policies related to territorial splits in Indonesia. In this context, North Kalimantan, established in 2012 as one of the 'youngest' provinces in Indonesia, is a region worth studying to assess its progress post-split from East Kalimantan as its "parent region".

The North Kalimantan Province was officially established with the enactment of Law Number 20 of 2012 on the Establishment of North Kalimantan Province, comprising one city and four regencies: Malinau Regency, Bulungan Regency, Tana Tidung Regency, Nunukan Regency, and the City of Tarakan. According to data from the Central Bureau of Statistics of North Kalimantan Province, in 2012 the population of this province totaled 572,5 thousand people, with the majority distributed in the City of Tarakan, comprising 36,8%. This study examines how regional disparities in North Kalimantan have progressed before and after the 2012 territorial split. Specifically, the research question addressed is: How have regional disparities in North Kalimantan progressed before and after the 2012 territorial split, as measured by Gross Regional Domestic Product, GDRP per capita, Gini Index, Williamson Index, and Klassen Typology? The analysis will focus on economic growth measured by Gross Regional Domestic Product (PDRB) and per capita PDRB, as well as regional inequality indicators such as the Gini Index, Williamson Index, and Klassen Typology. Understanding these indicators will provide insights into the economic development and regional inequality in North Kalimantan, offering recommendations for future policy directions. Based on these backgrounds, the authors present a logical framework for this research as follows:

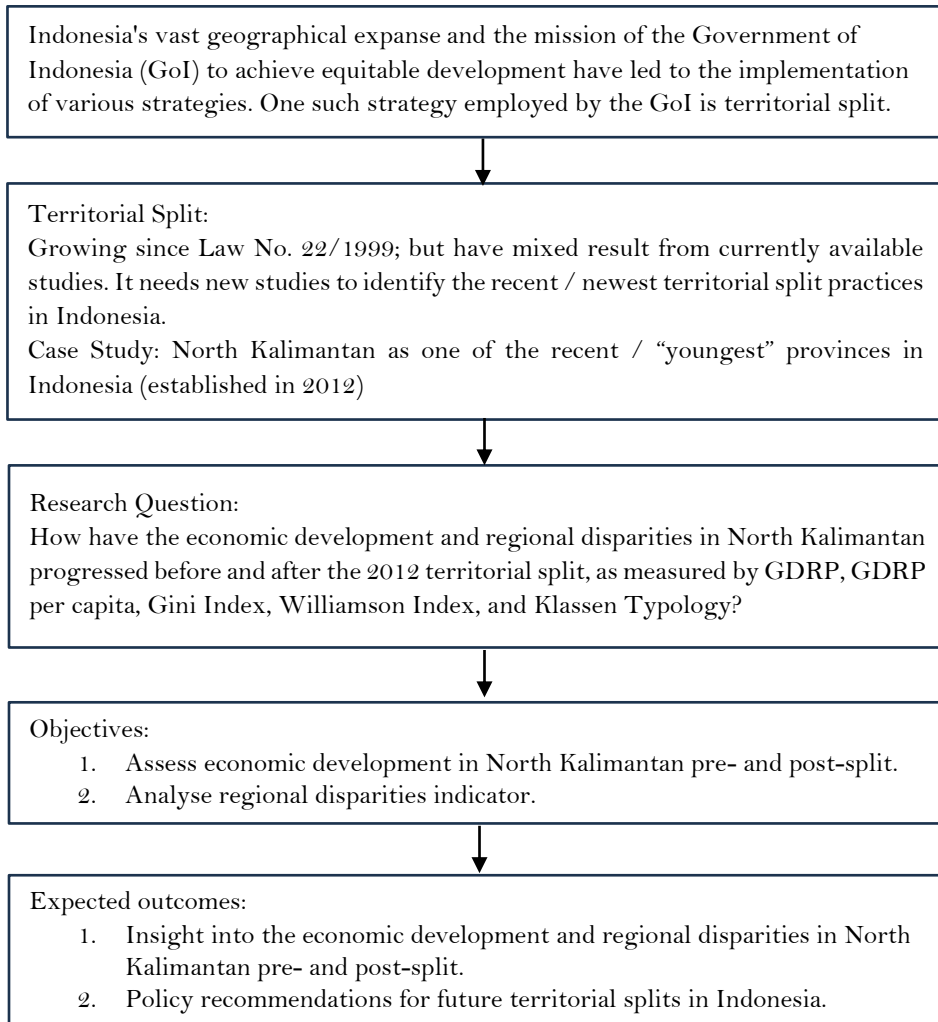


Figure 1. Logical Framework

2. Method

This research utilizes publicly available data from the Central Bureau of Statistic of the Republic of Indonesia, including national, provincial, and regency/city levels in North Kalimantan and East Kalimantan. The required data includes Gross Regional Domestic Product (GRDP), GRDP per capita, and time-series data on the Gini Index. This data will be used to analyze development trends from before and after 2012. In addition to comparing the indicators between the regencies and cities in North Kalimantan, a comparison is also made between North Kalimantan and its parent region, East Kalimantan, to observe the development in the new autonomous region relative to the parent region. These data were obtained from the *"Tabel Dinamis"* provided by the Central Bureau of Statistic of the Republic of Indonesia. The table is accessible online through the website <https://www.archive.bps.go.id/site/pilihdata>.

Meanwhile, the analytical methods employed in this study consist of:

- Descriptive Statistical Analysis, a statistical method used to analyse data by describing or depicting the gathered data appropriately (Sugiyono, 2012). In this study, descriptive statistical analysis is employed to understand the dynamics of changes in GRDP, Economic Growth Rate, economic structure based on sectors, Gini Index, and Williamson Index. The Gini Index is a statistical measurement that assesses the extent to which a resource, such as income, is distributed fairly within a population (Farris, 2010). The Gini Index measures the level of inequality within a population, ranging from 0 (perfect equality) to 1 (perfect inequality), and is used to depict aggregate inequality levels (Putri & Wulandari, 2022). On the other hand, The Williamson Index is one instrument used to measure regional inequality (Harmadi & Adji, 2020). In essence, the Williamson Index broadly measures the disparity in development within a region. Similar to the Gini Index, the Williamson Index also ranges from 0 to 1, where 1 indicates perfect disparity, and 0 indicates perfect economic development equality.
- Klassen Typology Analysis, a method used to understand the patterns and structure of regional economic growth. It categorizes regions based on two main indicators—economic growth and per capita income—which are plotted on a Cartesian coordinate graph. This research will use GRDP per capita as the x-axis and economic growth rate as the y-axis, dividing the coordinate graph into four quadrants, as described by Elpisah et al., (2021):
 - Quadrant 1: Fast-developing and fast-growing regions, characterized by higher economic growth rates and GRDP per capita compared to the overall region or the average of the studied regencies/cities.
 - Quadrant 2: Developed but depressed regions, characterized by high growth rates but lower GRDP per capita than the overall region or the average of the studied regencies/cities.
 - Quadrant 3: Fast-developing region, characterized by high economic growth rates but lower GRDP per capita compared to the overall region or the average of the studied regencies/cities.
 - Quadrant 4: Relatively underdeveloped regions, characterized by lower economic growth rates and GRDP per capita than the overall region or the average of the studied regencies/cities.

3. Result and Discussion

3.1. Economic Growth Rate and Gross Regional Domestic Product Analysis

Economic Growth Rate (EGR) and Gross Regional Domestic Product (GRDP) are commonly used indicators to identify the economic growth of a region. Based on the Economic Growth Rate, the economy in the regencies/cities that later formed North Kalimantan exhibited relatively faster growth than its parent region, both before and after the territorial split. Before the territorial split, from 2006 to 2012, the average economic growth rate of the regencies/cities forming North Kalimantan reached 6,48% per year. In contrast, the average economic growth rate of East Kalimantan in the same period was only 3,59% per year.

Based on the growth of the GRDP of East Kalimantan and the regencies/cities that later formed North Kalimantan from 2006 to 2016, it can be observed that in terms of value,

the regencies/cities that later formed North Kalimantan contributed a relatively small percentage to the economy of East Kalimantan, approximately around 5% - 6% annually. This indicates that, even though the economic size of the regencies/cities that later formed North Kalimantan was relatively small, they demonstrated significant potential by achieving faster economic growth than East Kalimantan overall. The development of EGR and GRDP in East Kalimantan and the regencies/cities forming North Kalimantan during the pre-split period can be seen in Figure 2.

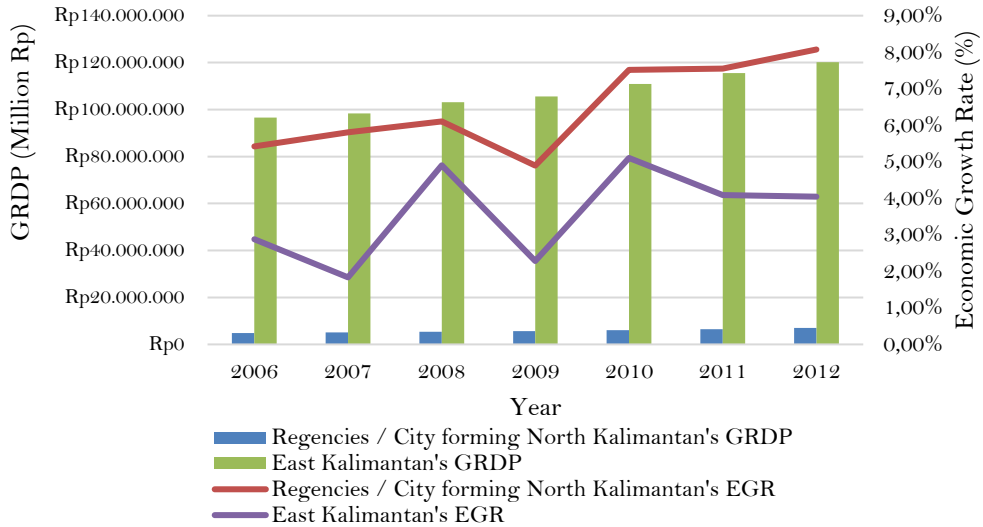


Figure 2. Economic Growth Rate and Gross Regional Domestic Product of East Kalimantan and the Regencies/Cities Forming North Kalimantan from 2006 to 2012 (Pre-Territorial-Split)

Source: Central Bureau of Statistics, 2024 (processed)

Following the territorial split, the Economic Growth Rate in North Kalimantan Province consistently grew faster than that of East Kalimantan Province, its parent region. North Kalimantan Province managed to sustain its economic growth rate at approximately 6% per year from 2012 to 2022 (except in 2020 during the COVID-19 pandemic). Figure 3 illustrates the development of Gross Regional Domestic Product (GRDP) and Economic Growth Rate in East Kalimantan and the districts/cities that now form North Kalimantan, following the territorial split.

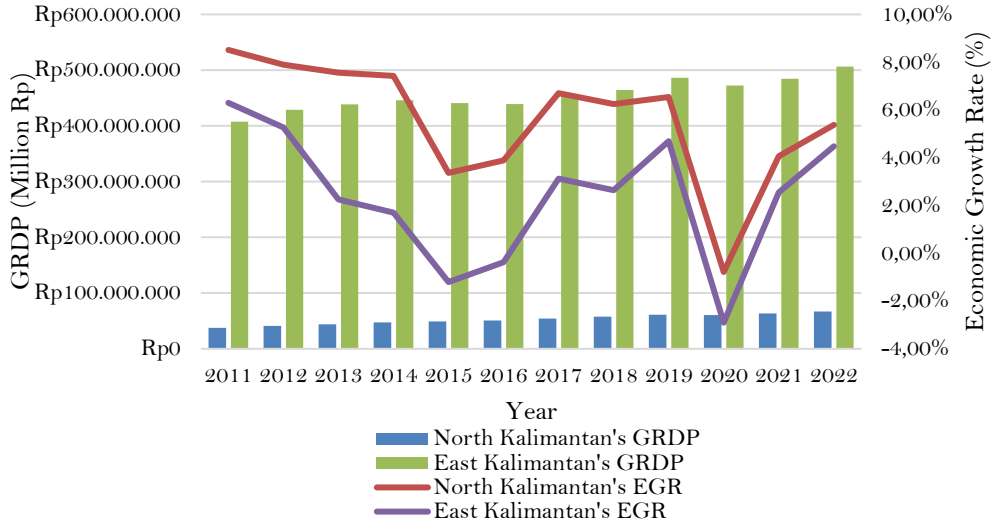


Figure 3. Economic Growth Rate and Gross Regional Domestic Product of East Kalimantan and the Regencies/Cities Forming North Kalimantan from 2012 to 2022 (Post-Territorial-Split)

Source: Central Bureau of Statistics, 2024, (processed)

The more detailed economic progress can also be observed through the Gross Regional Domestic Product (GRDP) per capita. Based on the GRDP per capita development in North Kalimantan Province and its regencies/cities, a stable growth trend is evident. Despite values remaining lower compared to East Kalimantan, the rapid growth has led to a gradual reduction in the gap in GRDP per capita between North Kalimantan and East Kalimantan. Furthermore, when compared to the national GRDP per capita, both provinces demonstrated a notably higher value, as seen in Figure 4.

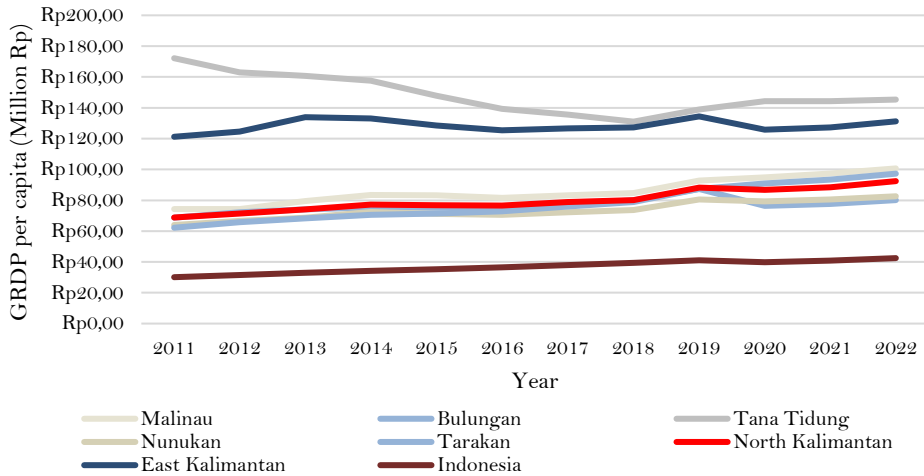


Figure 4. Gross Regional Domestic Product (GRDP) per capita Based on Current Prices in North Kalimantan, East Kalimantan, and National from 2011 to 2022

Source: Central Bureau of Statistic, 2024, (processed)

Upon closer examination of each regency and city in North Kalimantan, it is evident that they exhibit similar growth trajectories in Gross Regional Domestic Product (GRDP) per capita. Although Tana Tidung has experienced a noticeable decline in GRDP per capita, it remains significantly higher than that of other regencies and cities in the region. Thus, despite the decline, Tana Tidung Regency remains the district/city with the highest GRDP per capita in North Kalimantan. The decline in Tana Tidung's GRDP per capita, combined with rising figures in other regencies and cities, indicates a narrowing economic gap within North Kalimantan itself. This trend can be viewed as an indication of an emerging trend of economic redistribution spreading throughout North Kalimantan.

Meanwhile, based on a study by Bappenas and UNDP regarding regional expansion during the early stages of decentralization as outlined by Tarigan (2010), it is noted that one characteristic of successful growth in New Autonomous Regions (DOB) compared to their parent regions is their abundant natural resources, particularly oil and gas, which support their financial resources. In terms of economic structure, North Kalimantan is characterized by a significant reliance on the mining sector, primarily coal, which contributes more than a quarter of its Gross Regional Domestic Product. The economic structure indicating the dominance of the mining sector in the economy of North Kalimantan can be observed in Figure 5 as follows:

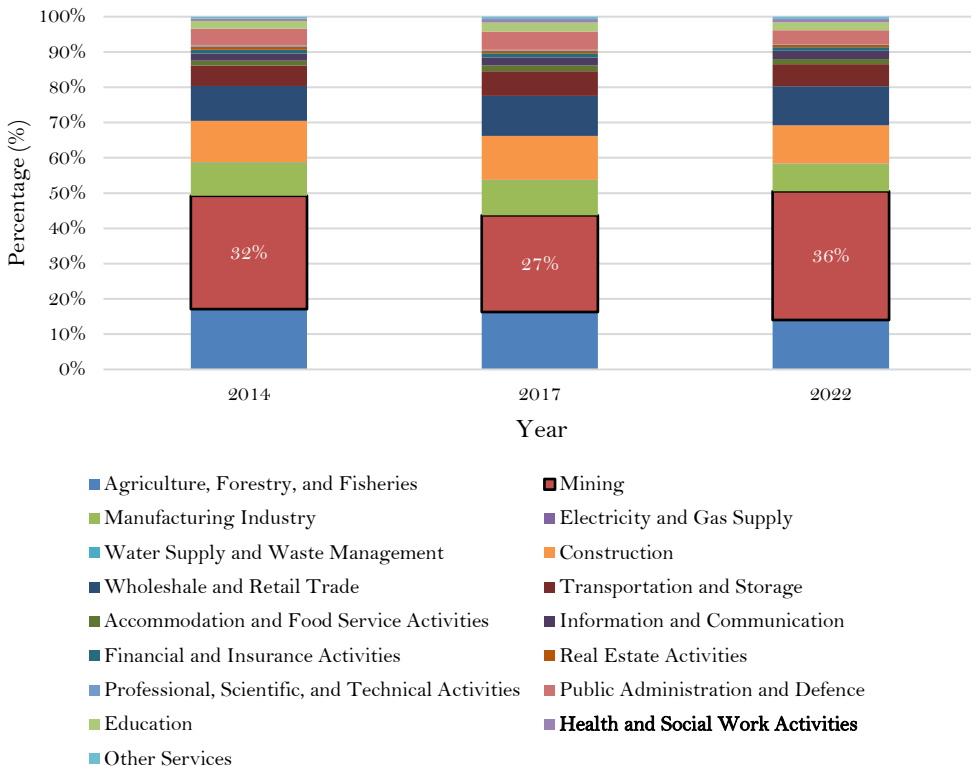


Figure 5. Gross Regional Domestic Product by Economic Sector Based on Current Prices in North Kalimantan in 2014, 2017, and 2022

Source: Central Bureau of Statistics, 2024, (processed)

3.2. Gini Index Analysis

Based on the trends in the Gini Index in North Kalimantan in recent years, it appears that the Gini Index in North Kalimantan is generally lower than East Kalimantan. The Gini Index in North Kalimantan Province has consistently remained at 0.30 or lower, indicating a relatively low level of income disparity in the province. Meanwhile, when compared to the Gini Index of the province from which it was formed, East Kalimantan, the Gini Index in North Kalimantan appears to be only slightly higher. The trend of the Gini Index in North Kalimantan and East Kalimantan over the past few years can be seen in Figure 6 below.

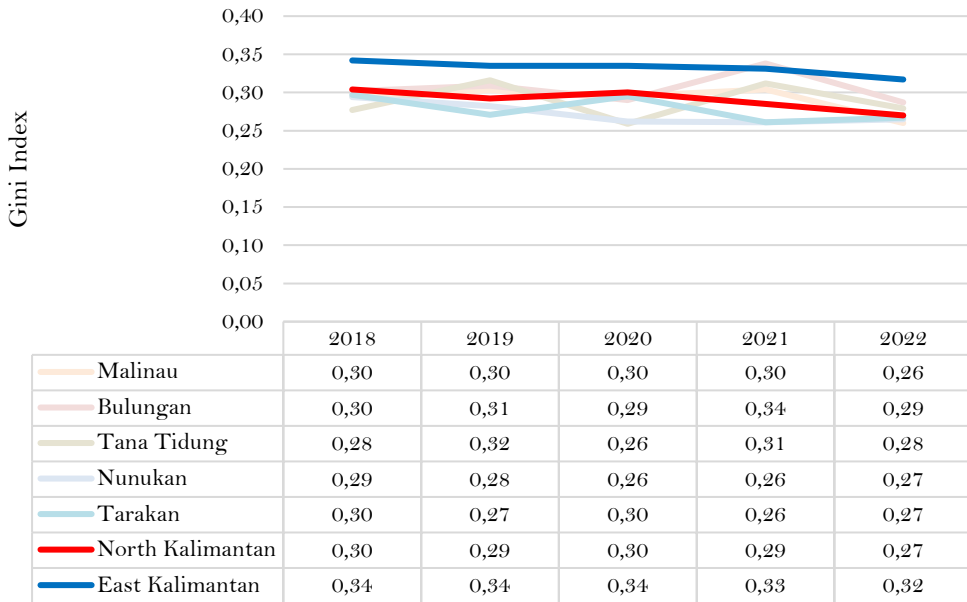


Figure 6. The Gini Index in North Kalimantan and East Kalimantan from 2018 – 2022

Source: Central Bureau of Statistics, 2024, (processed)

While viewed over a longer timeframe prior to the territorial split, it can be observed that the Gini Index in both East Kalimantan and the regencies/cities that now form North Kalimantan was relatively favorable. However, examining the trend, prior to the division, fluctuations in the Gini Index each year appeared higher, while in recent years, particularly in Malinau, Tana Tidung, and Tarakan, it appears more stable. This indicates the emergence of more stable incomes for the people in North Kalimantan. However, this stabilization has occurred at relatively higher Gini scores compared to earlier periods, suggesting that income inequality remains a concern. This trend suggests that while the economic environment may be more stable, the benefits of growth might not be evenly distributed across the population. Meanwhile, despite being higher than pre-split levels, the 0.3 on the Williamson Index is still considered moderate. A detailed overview of the Gini Index in North Kalimantan from 2006 to 2022 can be seen in Figure 7.

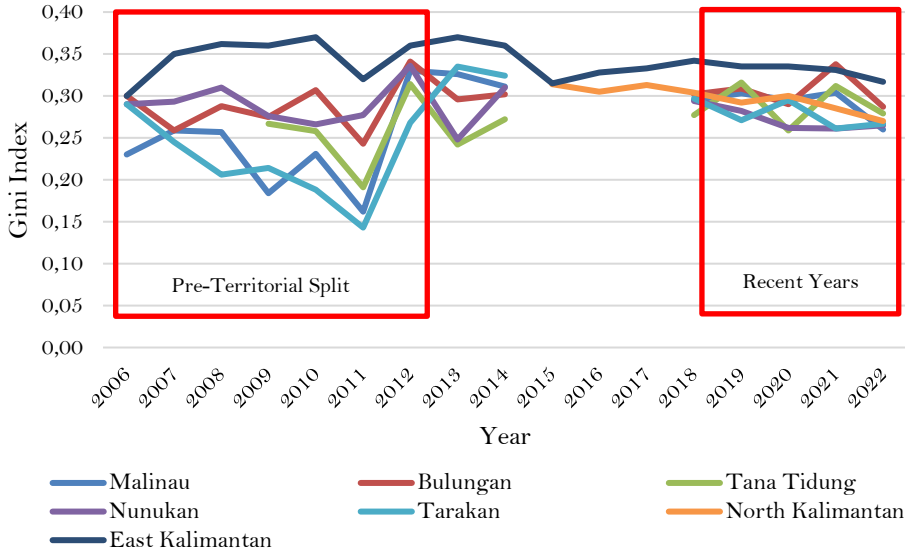


Figure 7. The Gini Index in North Kalimantan and East Kalimantan from 2006 – 2022

Source: Central Bureau of Statistics, 2024, (processed)

3.3. Williamson Index Analysis

The Williamson Index is another inequality indicator commonly used to understand regional disparities, alongside the Gini Index. While the Gini Index is used to identify income inequality, the Williamson Index can be employed to identify disparities in development between regions by comparing the level of economic development among areas using economic data such as GRDP per capita and population size. Similar to the Gini Index, the Williamson Index also ranges from 0 to 1, where values closer to 1 indicate higher disparities.

Based on the trend of the Williamson Index in North Kalimantan, it is evident that its value has been decreasing. Although before the territorial split, the Williamson Index in the regions of North Kalimantan was already quite low, after the division, the Williamson Index has continued to decrease to less than 0.2. There was a slight increase in inequality in 2020, but it remained lower than pre-split levels and decreased again the following year. This can be interpreted as an indicator of a more equitable economic development following the territorial split. The trend of the Williamson Index in North Kalimantan can be seen in Figure 8 below.

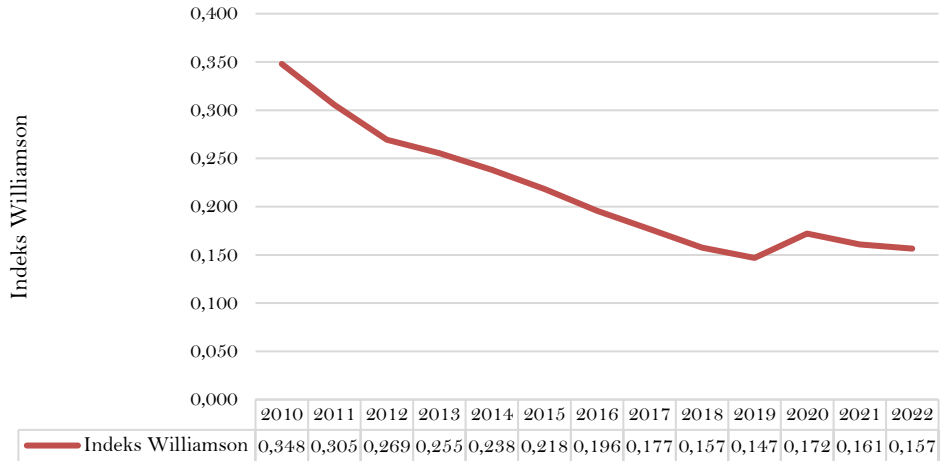


Figure 8. The Williamson Index in North Kalimantan from 2010 – 2022

Source: Authors analysis, 2024

3.4. Klassen Typology Analysis

The Klassen Typology is an analytical tool used to understand patterns and structures of economic growth between regions by comparing economic growth rates and per capita income values on a Cartesian graph. Here, the x-axis represents GRDP per capita, and the y-axis represents the Economic Growth Rate. One year before the territorial split, it can be seen by comparing the regions forming North Kalimantan (Tarakan, Nunukan, Bulungan) that some regions were classified under the typology of fast-developing regions. This classification indicates that their Economic Growth Rates were relatively faster compared to the average, despite having low GRDP per capita. In addition, Malinau and Tana Tidung are classified under the typology of developed but stressed regions. As of 2011, no regencies or cities had been categorized as fast-developing and fast-growing. However, when viewed in the broader context of its "parent" region, North Kalimantan itself is categorized as a fast-growing region, indicating that its economic growth rate is consistently faster than that of East Kalimantan. The Klassen typology graph of North Kalimantan in 2011 is illustrated in Figure 9 below.

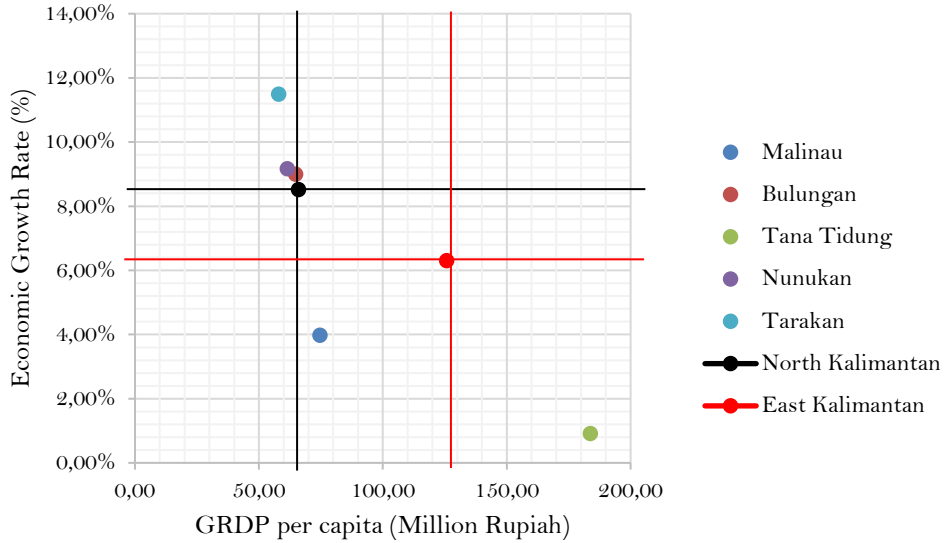


Figure 9. The Klassen Typology in North Kalimantan, 2011

Source: Authors analysis, 2024

One year after the territorial split, Malinau emerged as a fast-developing and fast-growing region. Bulungan and Tana Tidung are categorized as developed but stressed regions, where GRDP per capita is high, but the economic growth rate is lower than the overall region. Tarakan City and Nunukan District maintain their status in fast-developing areas. In addition, it can be observed that Tana Tidung's position, when viewed along the y-axis, is moving closer to the midpoint. The Klassen typology graph of North Kalimantan in 2013 is illustrated in Figure 10 below.

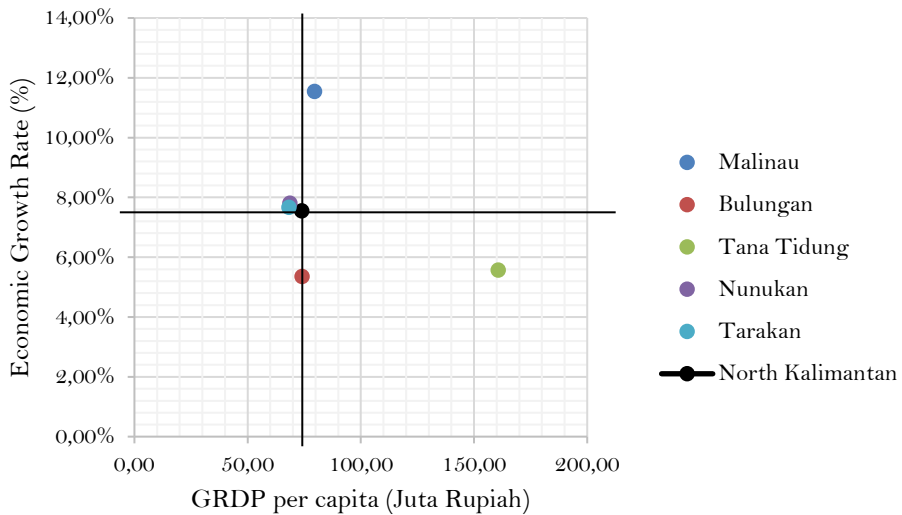


Figure 10. The Klassen Typology in North Kalimantan, 2013

Source: Authors analysis, 2024

Five years after the territorial division, the regencies/cities in North Kalimantan are increasingly converging towards the midpoint. Malinau has experienced a decline in its Economic Growth Rate, which is now lower than the overall Economic Growth Rate of North Kalimantan, placing it alongside Tana Tidung in the category of developed but stressed regions. Nunukan and Tarakan remain classified as fast-developing areas. Meanwhile, Bulungan has shifted into the category of lagging regions due to its relatively lower Economic Growth Rate and per capita income compared to other areas in North Kalimantan. These shifts indicate a narrowing development gap among regions within North Kalimantan Province, as depicted in Figure 11.

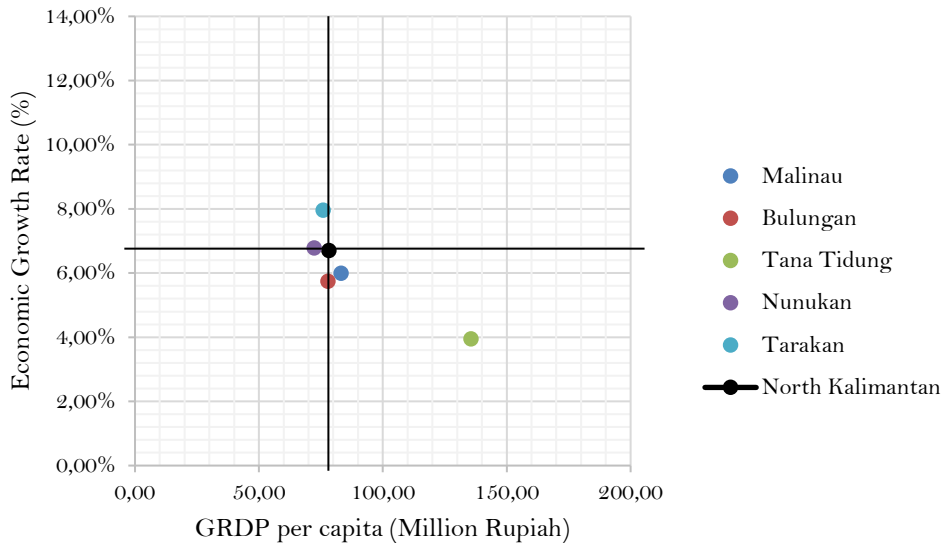


Figure 11. The Klassen Typology in North Kalimantan, 2017

Source: Authors analysis, 2024

The development gap has noticeably narrowed by 2022, a decade after territorial split. Nearly all regions are converging toward the midpoint in the Klassen typology analysis diagram, suggesting a positive trend toward greater regional equity. The convergence towards the midpoint suggests that previously disadvantaged areas may catch up with more developed counterparts, potentially reducing regional disparities over time. However, while this trend is encouraging, it necessitates ongoing monitoring and targeted interventions. Ensuring that the convergence continues and translates into sustainable and inclusive growth for all regions is essential. This approach is crucial for maintaining long-term socio-economic stability and fostering prosperity throughout North Kalimantan. It underscores the importance of strategic policies and equitable resource allocation to sustain and amplify these positive developmental trends. The Klassen typology graph of North Kalimantan in 2022 is illustrated in Figure 12 below.

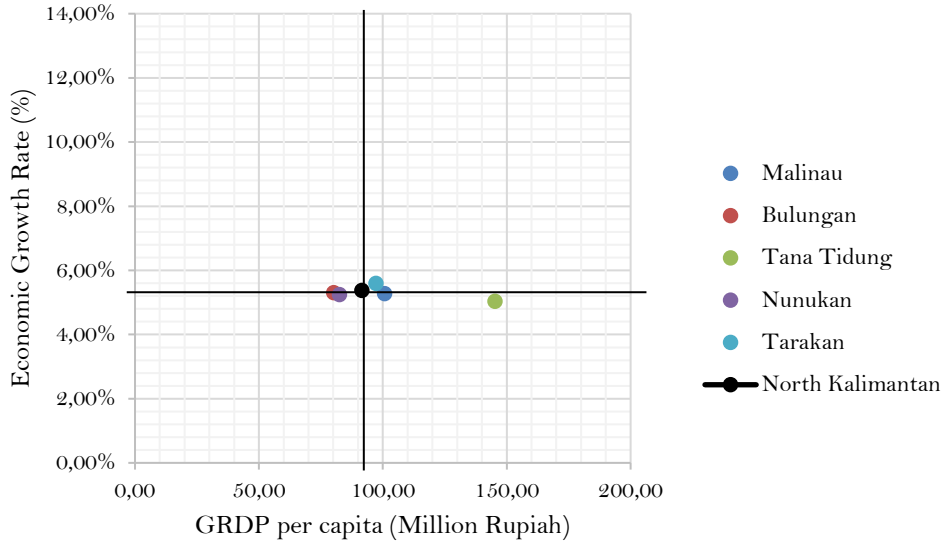


Figure 12. The Klassen Typology in North Kalimantan, 2022

Source: Authors analysis, 2024

In Figure 13 below, the development gap among regions in North Kalimantan before and one decade after the territorial split is evident when viewed through the Klassen typology, which shows a more even distribution as indicated by regencies/cities moving closer to the center or midpoint of North Kalimantan overall. Furthermore, the diagram illustrates broader economic trends: the Gross Regional Domestic Product (GRDP) per capita has shown an overall increase, depicted by movements to the right on the diagram. This indicates economic growth across the province. In contrast, the Economic Growth Rate has trended downwards over the same period, suggesting a potential slowdown in the pace of economic expansion. Overall, the narrowing of the development gap is a positive sign of progress and regional convergence. However, the declining economic growth rate presents challenges that may require targeted interventions to sustain long-term development and ensure equitable prosperity throughout North Kalimantan.

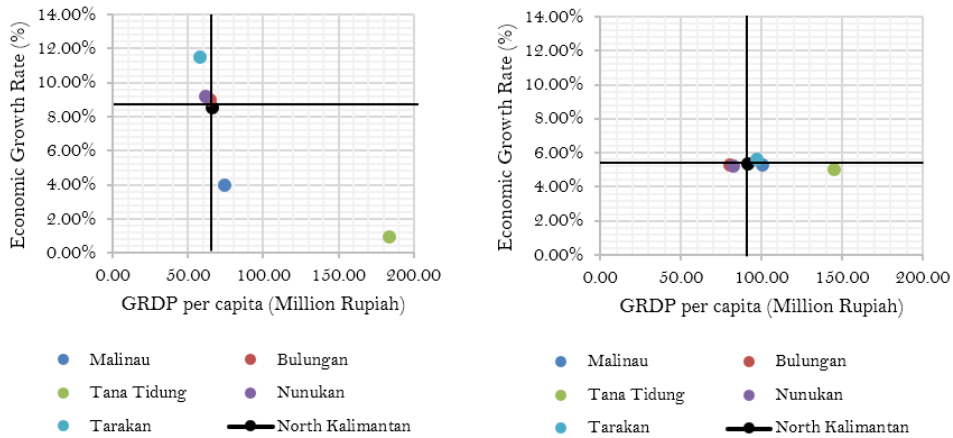


Figure 12. Comparison of Klassen Typology in North Kalimantan for the years 2014 and 2022

Source: Authors analysis, 2024

The phenomenon of slowing Economic Growth Rates in regencies/cities that previously grew faster, coupled with the narrowing gap in Gross Regional Domestic Product (GRDP) per capita as indicated by Klassen typology analysis, can be identified as signs of convergence. This refers to the trend where regions with lower incomes grow faster in order to catch up with wealthier regions, leading over time to all regions achieving a similar level of economic development and thus reducing the economic disparities between them (Dunford, 2020). In line with the findings of (Muzani & Benardin, 2019), which during convergence, a region's economy moves towards a steady state condition where economic growth rates slow down. Compared with previous indicators, the analysis generally shows similar outcomes: disparities in North Kalimantan Province have improved notably post-territorial split.

3.5. Lesson Learned from North Kalimantan

Drawing from the study by Bappenas and UNDP (2008) cited in Tarigan (2010), this research has shown that North Kalimantan meets one of the criteria for successful new autonomous regions post-split: having natural resources to support financial resources. This finding supports the statement that regions endowed with natural resources are likely to sustain themselves and succeed after being split into new administrative regions. Regarding its economic structure, North Kalimantan possesses substantial natural resource potential in the mining sector, primarily in coal commodities. Compared to the research by Faoziyah and Salim (2015), territorial splits in less-developed areas may not yield the expected impacts, possibly because these regions lack the strong economic capacity required to sustain themselves independently. This contrasts with North Kalimantan, which benefits from its strong economic potential in the coal mining sector, thus having the capacity to support its economy autonomously. Therefore, strong economic capacity and abundant natural resources might be crucial factors contributing to the success and sustainability of a region post-split.

In addition to strong economic capacity and abundant natural resources, the ability of subnational governments to effectively plan and implement economic initiatives is crucial. According to Nasution (2017), the lack of success in earlier periods might be related to the insufficient capacity of the local governments to conduct economic planning and promote local economic growth. Without skilled governance and strategic planning, even regions with potential resources may struggle to achieve sustainable development and economic independence. Therefore, it is not only the presence of natural resources and economic strength that may determine the success of a region post-split but also the competency of local governments in managing and utilizing these assets. This is important because it has been observed that the quality of human resources in some newly established autonomous regions resulting from territorial splits is inadequate. This inadequacy affects the bureaucracy, governance, and public services, including managing budgets to stimulate the regional economy by the local government (Tryatmoko, 2014). Given that Indonesia still has significant potential for territorial splits, with regions such as Sulawesi, Kalimantan, and Sumatra being the most potential regions for these practices (Imron, 2011), it is crucial to consider economic strength, natural resource ownership, and the capacity of human resources and government before establishing a new autonomous region.

4. Conclusion and Recommendation

4.1. Conclusion

Based on the analysis above, it can be concluded that North Kalimantan, based on several economic indicators such as Gross Regional Domestic Product (GRDP), GRDP per capita, and Economic Growth Rate, has shown growth and resilience following the territorial split in 2012. Additionally, disparities in North Kalimantan, based on several indicators such as the Williamson Index and Klassen Typology Analysis, also indicate a positive trend. These findings suggest that economic development in North Kalimantan is becoming more evenly distributed and the economic development gap is narrowing post-split. For example, the Klassen typology analysis shows a convergence towards the midpoint for nearly all regions in North Kalimantan, indicating that previously disadvantaged areas are catching up with more developed counterparts. Although the level of disparity in North Kalimantan was relatively low before the territorial split, it is evident that conditions have improved further post-split. This indicates that development across North Kalimantan is becoming more equitable compared to the pre-split period.

4.2. Recommendation

The findings of this research are expected to provide input for policy formulation related to territorial split in Indonesia, where the potential for territorial split remains open due to the presence of several provinces or regencies with large administrative territories. Based on these findings, the establishment of a new autonomous region should carefully consider the socio-economic conditions and potential of the region being considered for a territorial split. This ensures that, once established, the new autonomous region can develop and sustain itself effectively. In other word, regions considering territorial splits should conduct thorough economic assessments to ensure they can sustain themselves post-split. Moreover, regions engaged in extractive economies are advised to diversify their economic sectors to promote economic sustainability in each region. While North Kalimantan benefits significantly from its strong mining sector, particularly in coal, diversifying into other

industries can mitigate economic risks associated with dependency on a single sector. Encouraging the growth of sectors like tourism and services can provide alternative sources of income and employment, thereby boosting economic resilience. For future research, it is recommended to include territorial splits at the regency and city levels to complement this study on the provincial level and to gain a comprehensive understanding of the development of newly formed regions across different administrative tiers. Additionally, this study did not address aspects related to human resources and government capacity, which are crucial for the success of new autonomous regions. Future research should explore these dimensions to better understand their impact on the effectiveness and sustainability of newly established regions.

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