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Original Article

Leading Sectors and Economic Growth Dynamics in Eastern Priangan, West Java: An Integrated Location Quotient and Shift-Share Approach

[1]Apip Supriadi, [2]Gusti Tia Ardiani, [3]Aso Sukarso, [4]Jumri, [5]Silva Septiani, [6]Shiva Sri Rahayu
[1,3,4]Department of Development Economics, Faculty of Economics and Business, Universitas Siliwangi, Indonesia.
[2]Department of Management, Faculty of Economics and Business, Universitas Siliwangi, Indonesia.
[5,6]Student of Development Economics, Faculty of Economics and Business, Universitas Siliwangi, Indonesia.

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Abstract: *Regional economic development depends on the capacity of local economies to identify sectors with comparative advantages while maintaining sustainable sectoral growth. This study aims to identify leading sectors and examine sectoral growth dynamics across six regencies and cities in Eastern Priangan, West Java, during 2020–2025. This study employed a descriptive quantitative approach using Gross Regional Domestic Product data for 17 economic sectors. Location Quotient (LQ) was used to identify sectors with regional specialization, while Shift-Share analysis was applied to evaluate sectoral growth dynamics. The results reveal substantial spatial differentiation in the economic structure of Eastern Priangan. Agriculture, forestry, and fisheries emerge as strongly specialized sectors in several regions, while trade, accommodation and food services, transportation, financial services, real estate, and public administration also demonstrate important regional specialization. The Shift-Share results indicate that most sectors recorded positive growth dynamics, although the magnitude varied substantially across regions. Integrating LQ and Shift-Share results shows that no single sector consistently dominates all six regions, indicating the existence of differentiated regional economic bases. The findings suggest that regional development policy should adopt a place-based strategy that strengthens existing specialization while promoting sectoral upgrading, diversification, interregional linkages, and productivity improvement.*

Keywords: *Leading Sectors, Location Quotient, Shift-Share, Regional Specialization, Eastern Priangan.*

I. INTRODUCTION

Regional economic development is increasingly characterized by substantial differences in economic structure, productive specialization, and sectoral growth across territories. Regions with similar macroeconomic environments may exhibit different development trajectories because their economic structures, productive capabilities, infrastructure, market access, and sectoral composition differ. Consequently, identifying sectors that possess comparative advantages and understanding how these sectors evolve over time are important prerequisites for designing more targeted regional development policies. Recent regional development literature emphasizes that economic growth cannot be understood solely from aggregate growth rates because structural transformation, sectoral productivity, specialization, and diversification jointly shape regional performance [1], [2], [3].

In the Indonesian context, regional economic structures continue to demonstrate substantial heterogeneity. Using shift-share analysis across Indonesian provinces, structural change is shown to be associated with regional economic growth, particularly when structural transformation is accompanied by productivity improvements within sectors [1]. More recent evidence similarly indicates that changes in regional productivity are not necessarily driven by intersectoral reallocation alone. For example, finds that the intrasectoral component contributes more substantially to labor productivity growth than the intersectoral component in Indonesian districts. These findings suggest that identifying leading sectors should not stop at determining whether a sector is specialized; the dynamics and quality of sectoral growth must also be examined [4].

The identification of leading sectors is commonly approached through Location Quotient (LQ). LQ provides a relatively simple measure of regional specialization by comparing the relative contribution of a sector in a local economy with its contribution in a reference economy. A value greater than one indicates that a sector has a relatively higher concentration in the region than in the reference economy. Recent Indonesian studies continue to employ LQ to identify sectoral specialization and regional economic potential, including studies of Teluk Bintuni, West Java, Sukabumi, Padang Pariaman, and other Indonesian regions ([5], [6], [7], [8]. However, specialization does not necessarily indicate that a sector is experiencing relatively favorable growth.

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This limitation creates a need to complement LQ with a dynamic analytical approach. Shift-Share analysis enables researchers to decompose regional sectoral changes into components associated with overall economic growth, industrial structure, and regional competitive performance. Its continued application in recent regional studies demonstrates its usefulness for identifying whether regional sectors grow because of broader economic expansion, sectoral characteristics, or region-specific competitive advantages [5], [9]. Importantly, recent research has also expanded the interpretation of structural change beyond conventional sectoral shifts. [1] shows that structural transformation contributes to regional growth when accompanied by productivity improvement, while [4] demonstrates the importance of within-sector productivity dynamics.

The relevance of specialization has also been reconsidered in contemporary regional economic geography. [10] argues that regional diversification is strongly influenced by the capabilities already embedded within regions. Regions are more likely to develop new activities that are related to their existing productive structure. Subsequent empirical research supports the importance of related diversification for regional performance, although the effects differ according to regional characteristics and sectoral context [11], [12], [13], [14]; for example, it demonstrates that the relationship between economic variety and employment growth is highly dependent on sectoral and regional conditions. Thus, regional specialization should not automatically be interpreted as desirable or undesirable; its development implications depend on a region's ability to transform existing specialization into productivity, diversification, and new economic opportunities.

Recent international research further indicates that regional development increasingly depends on the relationship between existing specialization and new economic activities. Related diversification has greater potential in less-developed regions, suggesting that development strategies should be differentiated according to regional capabilities rather than uniformly applied across territories [15]. Similarly, [13] show that new industries are more likely to emerge when they are technologically related to activities already present in a region. [3] further demonstrate that related and unrelated technological diversification can generate different effects on regional employment and GDP growth. These findings reinforce the importance of combining specialization analysis with an assessment of sectoral growth dynamics.

This issue is particularly relevant for Eastern Priangan, a subregional area of West Java consisting of Banjar City, Tasikmalaya Regency, Tasikmalaya City, Pangandaran Regency, Ciamis Regency, and Garut Regency. The six regions possess different economic characteristics, ranging from agricultural activities and tourism-related services to trade, transportation, public services, finance, and other tertiary activities. Such diversity provides an important empirical setting for examining whether sectoral specialization is accompanied by favorable growth dynamics. Previous studies on individual Indonesian regions have generally examined leading sectors within one district or city, whereas comparative evidence integrating multiple regions within Eastern Priangan remains relatively limited.

The present study therefore contributes in three ways. First, it provides a comparative assessment of sectoral specialization across six regions in Eastern Priangan rather than focusing on a single local economy. Second, it combines LQ and Shift-Share to distinguish sectors that are not only relatively specialized but also demonstrate positive growth dynamics. Third, it interprets the resulting sectoral configuration from a place-based regional development perspective, recognizing that specialization, diversification, and sectoral productivity may operate differently across regions.

Accordingly, this study aims to identify leading sectors and analyze sectoral growth dynamics in six regencies and cities in Eastern Priangan, West Java, during 2020–2025 using an integrated Location Quotient and Shift-Share approach.

II. LITERATURE REVIEW

Location Quotient (LQ) and Shift-Share are widely used approaches in regional economics to identify sectoral specialization and examine the dynamics of regional economic growth. The use of these methods is based on the recognition that regional economic performance is not homogeneous because each region possesses different productive structures, sectoral capabilities, resources, and levels of specialization. Consequently, identifying sectors that constitute the economic base of a region and understanding their growth dynamics are important for formulating place-based development strategies**.**

A) Location Quotient

Location Quotient is used to determine whether a sector has a relatively greater economic concentration in a region than in the reference economy.

The LQ formula is:

$$LQ_{ij} = \frac{Y_{ij}/Y_j}{Y_i/Y} \qquad (1)$$

where:

- Y_{ij}= GRDP of sector *i* in region *j*;

- Y_j= total GRDP of region *j*;
- Y_i= GRDP of sector *i* in West Java;
- Y= total GRDP of West Java.

The interpretation is:

- LQ > 1: the sector is relatively specialized/base sector;
- LQ = 1: the sector has the same relative concentration as the reference economy;
- LQ < 1: the sector is relatively less specialized.

The use of LQ as an initial identification tool is consistent with recent regional-sector studies in Indonesia [5], [6], [8], [16].

B) Shift-Share Analysis

Shift-Share analysis is employed to examine changes in sectoral GRDP and distinguish general economic growth effects from sectoral and regional competitive effects.

The components are expressed as:

$$N_{ij} = E_{ij0} r_n \quad (2)$$
$$M_{ij} = E_{ij0}(r_i - r_n) \quad (3)$$
$$C_{ij} = E_{ij0}(r_{ij} - r_i) \quad (4)$$

and:

$$D_{ij} = N_{ij} + M_{ij} + C_{ij} \quad (5)$$

Where N_{ij}represents the national/regional growth component, M_{ij}represents the industry-mix component, C_{ij}represents the competitive component, and D_{ij}represents the total change or net shift.

A positive D_{ij}indicates that the sector demonstrates positive growth dynamics during the observation period, whereas a negative value indicates comparatively unfavorable dynamics. This interpretation is consistent with recent applications of Shift-Share in Indonesian regional analysis ([1], [4].

C) Integration of LQ and Shift-Share

To identify sectors that are both specialized and dynamically favorable, the results of LQ and Shift-Share are integrated.

A sector is classified as a priority leading sector when:

$$LQ > 1 \text{ and } D_{ij} > 0$$

This integrated approach avoids interpreting specialization as an automatic indicator of development priority. A sector with LQ > 1 but negative growth dynamics may require restructuring or productivity improvement, while a sector with positive growth but LQ < 1 may represent an emerging rather than established specialization.

This distinction is important because recent regional development literature emphasizes that regional specialization and growth do not necessarily move together and that regional economic performance is strongly dependent on sector-specific and place-specific conditions [13] [14] [17].

III. RESULTS AND DISCUSSION

A) Regional Economic Specialization Based on Location Quotient

The LQ results demonstrate considerable spatial differentiation in the economic structure of Eastern Priangan. As presented in Table 1, the six regions do not possess an identical specialization profile.

Table 1: Average Location Quotient of 17 Economic Sectors in Eastern Priangan, 2020–2025

Economic Sector	Banjar	Tasikmalaya City	Tasikmalaya Regency	Pangandaran	Ciamis	Garut
Agriculture, Forestry and Fisheries	1,60	0,60	5,29	2,75	2,73	4,50
Mining and Quarrying	0,15	0,01	0,02	0,34	0,12	1,29
Manufacturing	0,24	0,32	0,17	0,10	0,19	0,22
Electricity and Gas	0,30	0,03	0,21	0,18	0,23	0,18
Water Supply/Waste Management	2,26	4,16	0,21	0,14	0,47	0,63
Construction	1,20	1,87	1,03	0,89	1,11	0,80

Wholesale/Retail Trade	1,80	1,56	1,45	1,25	1,45	1,40
Transportation/Storage	1,06	1,97	0,65	1,99	2,47	0,82
Accommodation/Food Services	1,04	1,91	1,15	2,83	1,51	1,55
Information/Communication	1,44	0,96	0,60	0,40	1,08	0,66
Financial/Insurance	1,40	3,74	1,08	0,66	1,52	1,14
Real Estate	2,30	1,37	1,01	2,05	2,79	1,49
Business Services	0,02	2,66	0,94	1,94	2,32	1,38
Public Administration	4,20	2,07	2,83	1,36	1,69	1,66
Education	2,31	0,65	1,85	1,51	1,64	1,74
Health/Social Work	3,33	2,86	0,71	0,25	1,19	0,99
Other Services	0,10	1,25	0,71	0,71	0,89	1,66

Source: *Authors' calculations.*

The agriculture, forestry, and fisheries sector demonstrates particularly strong specialization in Tasikmalaya City, Garut, Ciamis, and Pangandaran. This indicates that the primary sector remains an important component of the economic structure of several Eastern Priangan regions. The finding is consistent with the broader Indonesian regional development literature, where primary-sector specialization remains important outside major metropolitan economies ([1], [18].

The trade sector exhibits LQ values above one in all six regions, ranging from 1,25 in Pangandaran to 1,80 in Banjar. This is one of the most geographically widespread specializations in Eastern Priangan. The broad distribution suggests that trade performs an integrating function across regional economies, potentially connecting agricultural production, tourism activities, household consumption, and interregional markets.

Accommodation and food services also show LQ values above one in all six regions. The strongest specialization occurs in Pangandaran (2,83), followed by Tasikmalaya Regency (1,91), Garut (1,55), Ciamis (1,51), Tasikmalaya City (1,15), and Banjar (1,04). This pattern is particularly relevant because Pangandaran has a strong tourism orientation, while accommodation and food services may also benefit from population concentration and regional mobility in other areas.

The transportation and storage sector is particularly specialized in Ciamis, Pangandaran, and Tasikmalaya Regency. This pattern potentially reflects the role of these regions as transportation corridors and nodes connecting production and consumption centers. However, specialization alone does not establish whether the sector is dynamically competitive, which requires consideration of the Shift-Share results.

The results also reveal strong specialization in government administration, education, financial services, health services, and real estate in several regions. Banjar, for example, records high LQ values for public administration (4,20), health/social work (3,33), education (2,31), and real estate (2,30). Tasikmalaya Regency records particularly high specialization in water supply/waste management (4,16), financial services (3,74), and business services (2,66).

These findings reinforce the argument that regional specialization is multidimensional. Contemporary research increasingly argues that regional comparative advantage cannot be reduced to a single dominant industry because regional specialization may reflect the interaction of industries, occupations, services, infrastructure, and local capabilities [2], [21].

B) Sectoral Growth Dynamics Based on Shift-Share

The Shift-Share results demonstrate that the magnitude of sectoral growth varies substantially across the six regions. Table 2 reports the average Shift-Share values.

Table 2: Average Shift-Share Results in Eastern Priangan, 2020–2025

Economic Sector	Banjar	Tasikmalaya City	Tasikmalaya Regency	Pangandaran	Ciamis	Garut
Agriculture	1.374.457,17	4.155.094,22	19.945.743,16	9.050.007,59	15.311,96	51.013,22
Mining	17.546,45	-75,00	-1.198,20	127.365,92	121,83	59,49
Manufacturing	1.858.701,28	9.238.179,40	11.179.459,78	1.978.013,77	8.076,43	27.124,96
Electricity/Gas	26.984,02	6.834,38	103.670,86	28.388,40	161,36	137,70
Water	55.033,74	245.112,02	18.450,45	6.259,69	51,47	145,81
Construction	1.821.196,12	11.816.139,78	10.639.076,49	4.294.569,50	10.001,98	15.521,60
Trade	3.153.365,96	14.479.721,22	33.636.843,90	7.057.226,71	25.070,68	41.093,25
Transportation	3.297.681,29	18.250.296,25	3.103.727,88	10.095.462,15	19.162,14	17.234,07
Accommodation/Food	768.859,90	7.831.536,75	3.678.038,61	6.089.670,21	8.722,58	18.140,71
Information/Communication	2.840.633,44	8.838.184,63	13.725.673,87	1.263.003,64	13.467,91	15.262,51
Financial/Insurance	316.876,32	5.734.826,80	30.313.104,76	477.712,30	4.344,33	3.962,74

Real Estate	1.280.372,23	2.379.998,96	1.008.378,62	1.951.664,84	7.158,28	7.092,76
Business Services	178.964,25	1.796.687,95	774.617,66	403.998,92	2.526.36	2.093,24
Public Administration	-664.194,84	872.372,81	1.853.782,61	43.825,78	1.145,78	2.651,20
Education	1.099.120,04	1.338.813,71	18.412.190,51	1.855.129,41	5.002,82	10.143,75
Health/Social Work	1.038.590,32	2.773.275,56	1.641.645,94	145.618,75	1.953,75	2.382,99
Other Services	151.829,69	3.783.101,55	2.660.522,13	1.237.614,19	4.225,45	12.176,91

Source: *Authors' calculations.*

The results show that trade represents one of the strongest positive sectoral dynamics across the region. Its Shift-Share values are positive in all six areas and particularly large in Tasikmalaya City and Tasikmalaya Regency. This is important because, based on the LQ results, trade is also specialized in all six regions. The simultaneous occurrence of specialization and positive growth makes trade one of the most robust region-wide leading sectors.

Transportation also records positive growth dynamics in all six regions, with particularly high values in Tasikmalaya Regency and Pangandaran. Combined with LQ values above one in Banjar, Tasikmalaya Regency, Pangandaran, and Ciamis, transportation represents an important supporting sector for regional connectivity.

Agriculture demonstrates substantial positive growth dynamics, especially in Tasikmalaya City and Pangandaran. Its high LQ values in these regions indicate that agriculture is not merely expanding but also represents a strong structural specialization.

The financial and insurance sector displays particularly large Shift-Share values in Tasikmalaya City and Tasikmalaya Regency. This result is important because these two regions also demonstrate relatively high LQ values in financial services. Such a combination suggests that financial services constitute an important component of the urban and semi-urban economic structure.

The information and communication sector also shows positive growth dynamics across all regions. Although LQ values are above one only in Banjar and Ciamis, its positive growth indicates that information and communication may represent an emerging sector whose economic importance is expanding beyond areas where it is currently specialized.

The Shift-Share results are consistent with recent evidence that regional growth increasingly depends on both sector-specific growth and within-sector productivity. [1] show that structural transformation contributes to regional growth when productivity within sectors improves, while [4] finds that within-sector productivity plays a larger role than intersectoral structural change in Indonesian district productivity growth. Thus, positive sectoral growth should be followed by productivity upgrading to generate sustained regional development.

C) Integration of LQ and Shift-Share

The integration of the two methods produces a more informative picture of regional economic priorities than either method alone. A sector is treated as a leading sector when it simultaneously has LQ > 1 and a positive Shift-Share value.

Table 3: Integrated Leading Sectors Based on LQ and Shift-Share

Region	Integrated Leading Sectors
Banjar City	Agriculture; Water Supply; Construction; Trade; Transportation; Accommodation/Food; Information/Communication; Financial/Insurance; Real Estate; Education; Health
Tasikmalaya City	Water Supply; Construction; Trade; Transportation; Accommodation/Food; Financial/Insurance; Real Estate; Business Services; Public Administration; Health; Other Services
Tasikmalaya Regency	Agriculture; Construction; Trade; Accommodation/Food; Financial/Insurance; Real Estate; Public Administration; Education
Pangandaran Regency	Agriculture; Trade; Transportation; Accommodation/Food; Real Estate; Business Services; Public Administration; Education
Ciamis Regency	Agriculture; Construction; Trade; Transportation; Accommodation/Food; Information/Communication; Financial/Insurance; Real Estate; Business Services; Public Administration; Education; Health
Garut Regency	Agriculture; Mining; Trade; Accommodation/Food; Financial/Insurance; Real Estate; Business Services; Public Administration; Education; Other Services

Source: *Authors' calculations based on LQ and Shift-Share results.*

The integrated results reveal an important characteristic of Eastern Priangan: there is no single sector that should be treated as the universal development priority for all six regions. Instead, each region has a distinctive combination of established specialization and positive growth dynamics.

a. Banjar City

Banjar has a diversified portfolio of leading sectors, including agriculture, water supply, construction, trade, transportation, accommodation and food services, information and communication, finance, real estate, education, and health. This broad structure suggests that Banjar possesses a relatively diversified service-oriented regional economy. Its policy challenge is therefore less about identifying one dominant sector and more about strengthening linkages among sectors.

b. Tasikmalaya City

Tasikmalaya City demonstrates strong specialization in water supply, construction, trade, transportation, accommodation and food services, finance, real estate, business services, public administration, health, and other services. The combination suggests a regional economy supported by infrastructure, trade, services, and institutional activities. Development policy could therefore focus on improving connectivity and productivity while strengthening linkages between service sectors and local productive activities.

c. Tasikmalaya Regency

Tasikmalaya Regency combines agriculture, construction, trade, accommodation and food services, financial services, real estate, public administration, and education. Trade and finance are particularly important because their Shift-Share values are among the highest in the region. The city therefore has the potential to function as a service and commercial center within Eastern Priangan.

d. Pangandaran Regency

Pangandaran has a distinctive profile dominated by agriculture, trade, transportation, accommodation and food services, real estate, business services, public administration, and education. The particularly high LQ for accommodation and food services is consistent with the region's tourism-oriented economic structure. Rather than expanding tourism in isolation, regional policy should promote linkages between tourism, agriculture, transportation, trade, and local business services.

e. Ciamis Regency

Ciamis displays one of the broadest portfolios of integrated leading sectors, including agriculture, construction, trade, transportation, accommodation and food services, information and communication, finance, real estate, business services, public administration, education, and health. This indicates considerable diversification potential. The policy implication is to strengthen intersectoral linkages and prevent excessive dependence on one economic activity.

f. Garut Regency

Garut combines agriculture and mining with trade, accommodation and food services, financial services, real estate, business services, public administration, education, and other services. Agriculture remains the strongest structural specialization, while mining is also a specialized sector. However, the development of resource-based activities should be accompanied by diversification and downstream development to reduce vulnerability associated with dependence on primary activities.

D) Discussion: From Sectoral Specialization to Place-Based Development

The integrated findings provide three important implications for regional development.

First, specialization remains important but is not sufficient. LQ identifies where regional comparative concentration exists, but it does not indicate whether that sector is growing faster or slower than the reference economy. The Shift-Share results provide the missing dynamic dimension. This is consistent with recent Indonesian studies that combine LQ and Shift-Share rather than relying on a single indicator [5] [7] [9].

Second, regional specialization should be linked to diversification strategies. Modern regional development research increasingly views diversification as a process that builds on existing regional capabilities. [10] emphasizes that regions tend to diversify into activities related to their existing capabilities. [13] similarly demonstrate that new industries are more likely to enter regions when they are technologically related to existing industries. This perspective is relevant for Eastern Priangan because existing strengths in agriculture, trade, tourism, transportation, finance, and services can become foundations for higher value activities.

Third, different regions require differentiated policy strategies. The results indicate that Banjar, Tasikmalaya, Pangandaran, Ciamis, and Garut do not possess identical sectoral profiles. Therefore, a uniform development policy risks overlooking differences in local capabilities. Research on European regions shows that the benefits of related diversification differ according to the level of regional development, supporting differentiated rather than one-size-fits-all strategies [15]. Similar evidence from Turkey shows that the relationship between relatedness and regional development is context-dependent [17], [19].

The findings also suggest that positive sectoral growth should not be interpreted solely in quantitative terms. [1] show that structural change has stronger implications for regional growth when accompanied by productivity improvements within sectors. Therefore, Eastern Priangan should not merely seek to expand the size of already-specialized sectors. It should also increase productivity, technology adoption, skills, infrastructure quality, market access, and interregional connectivity.

Tourism provides a clear example. Pangandaran's accommodation and food services sector is strongly specialized, but long-term regional benefits depend on whether tourism generates linkages with agriculture, trade, transportation, creative activities, and local business services. This is consistent with the broader literature suggesting that regional development is strengthened when economic activities are connected through local capabilities and related diversification rather than developed as isolated sectors [12], [13].

Similarly, agriculture in Garut, Ciamis, Pangandaran, and Tasikmalaya City should not simply be maintained as a traditional primary-sector activity. Agricultural specialization can become a platform for agro-processing, logistics, food services, tourism, and digital market integration. Such a strategy would shift regional development from static comparative advantage toward dynamic upgrading.

The findings also correspond with recent research on regional specialization and employment. [20] demonstrate that regional specialization is increasingly shaped not only by industries but also by the geographical distribution of occupations and functions. [21] further show that industry-occupation relatedness jointly influences the emergence of new jobs. This implies that Eastern Priangan's sectoral development strategy should be accompanied by investment in human capital and skills, particularly where emerging service and technology sectors are expected to grow.

Overall, the evidence supports a place-based development strategy that uses existing regional strengths as foundations for productivity upgrading, diversification, and intersectoral linkages. Such a strategy is more consistent with contemporary regional economic development thinking than attempting to make all regions develop the same sectors.

IV. CONCLUSION

This study identifies leading sectors and examines economic growth dynamics across six regencies and cities in Eastern Priangan, West Java, during 2020–2025 using an integrated Location Quotient and Shift-Share approach. The results demonstrate substantial spatial differences in sectoral specialization and growth dynamics.

Agriculture, trade, accommodation and food services, transportation, financial services, real estate, public administration, education, and several other service activities emerge as important sectors in different regions. Trade is particularly distinctive because it records LQ values above one in all six regions and positive Shift-Share values throughout the study area.

The integration of LQ and Shift-Share confirms that leading sectors are spatially differentiated. Banjar, Tasikmalaya Regency, Tasikmalaya City, Pangandaran, Ciamis, and Garut possess different combinations of specialized and dynamically growing sectors. Therefore, there is no single sectoral development strategy that can be uniformly applied across Eastern Priangan.

The main policy implication is that regional development should adopt a place-based, differentiated strategy. Existing specialization should be strengthened through productivity improvement, infrastructure development, human capital, technology adoption, market expansion, and stronger intersectoral linkages. At the same time, regions should use existing capabilities as a foundation for related diversification and higher-value economic activities.

The study also has a limitation. LQ and conventional Shift-Share identify specialization and growth dynamics but do not directly measure productivity, employment quality, technological capabilities, or intersectoral input-output linkages. Future research could therefore combine these approaches with spatial econometrics, input-output analysis, productivity measurement, or economic complexity indicators.

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