



# Economic Development and Welfare After Regional Proliferation in Indonesia

## A Case of Lamandau Regency

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**Abstract.** This paper seeks economic development and public welfare after regional proliferation. The focus of this research is Lamandau Regency, Central Kalimantan. This study is conducted using a qualitative explanatory approach. Data were collected from secondary sources, such as government reports, statistical results of BPS-Statistic of Indonesia, and official websites. Data were processed and displayed descriptively. We revealed that economic growth and public welfare in Lamandau Regency, after separating from its main regency, Kotawaringin Barat, have developed significantly in terms of gross regional domestic product (GRDP), economic development, income distribution, and poverty rate. The results of this study enrich the study of regional proliferation by recognizing economic development and public welfare. The results are also valuable for Lamandau Regency in increasing economic development and public welfare.

**Keywords:** Economic Development · Welfare · Regional Autonomy · Proliferation

## 1 Introduction

The implementation of regional autonomy has brought significant changes to local governments in Indonesia. This achievement occurred because the regional head was given the authority to regulate government affairs and the local community's interests following statutory regulations [1]. Theoretically, it can be argued that decentralization is expected to produce benefits to encourage increased participation, initiative, and creativity in the community [2]. Besides, the distribution of development results throughout the region utilizes the resources and potential available from each area. As a result, there is a shift in the role of public decision-making to a lower level.

Lamandau Regency is one of the proliferation areas of West Kotawaringin Regency, Central Kalimantan Province, in 2022, which is experiencing very rapid development [3]. From the Central Bureau of Statistics [4] data, the Lamandau Regency shows success. Still, it is necessary to study further whether this is the impact of the policy of expanding this region on agricultural development as the basis of economic growth in the Lamandau

district. It is not impossible that regional programs and policies only touch certain groups of people.

Several studies have explained local territory circumstances after regional autonomy in Indonesia. These studies focused on various sectors, such as health [4], economy [5, 6], development [2, 7], and forest [8, 9]. Unfortunately, a limited number of scholars focused on the impact of regional autonomy on economic development and welfare in a specific region in Indonesia. Therefore, the evaluation of decentralization in economics and development helps measure the achievement of regional autonomy policy. Economic aspects are useful for analyzing the impact of decentralization on economic growth and the financial sector. In addition, the welfare aspect is essential to assess people's prosperity in the region [10].

This study bridges the gap in the current debate by examining the impact of decentralization on economic and public welfare, focusing on Lamandau Regency. This study aims to analyze the economic development and popular welfare of Lamandau Regency after its proliferation from its main regency, Kotawaringin Barat.

## **2 Research Methods**

This research was explanatory qualitative research because it attempted to provide answers to questions through explanations strengthened by data and arguments. Explanatory research is a method developed to investigate a phenomenon that has not been studied before or has not been well explained before in an appropriate way. The primary purpose is to provide details about where small amounts of information can be found [11]. The data in this study were obtained from secondary sources, such as government documents, reports from the Central Bureau of Statistics, and official websites. The data were collected from 2011 to 2016. The data were processed with Microsoft Excel and presented in tables, graphs, and images that can offer an overview of the economic growth and welfare of the people of Lamandau Regency after regional autonomy.

## **3 Findings and Discussion**

To assess the economic growth and welfare of the people of Lamandau Regency, we used several indicators, including gross regional domestic product (GRDP) growth, economic structure, GRDP per capita, income distribution, and the percentage of poverty. The indicators are usually used to examine the implementation of regional autonomy regarding economic and social dimensions [12].

### **3.1 Gross Regional Domestic Product**

The general indicator used to determine a region's economic growth rate is to look at the development of the Gross Regional Domestic Product (GRDP) of the area concerned. Regional economic growth is closely related to the sectors that make it up. That is, which sectors contribute more to the economy and have less contribution, thus requiring more attention.

GRDP consists of two varieties: GRDP by field of business at applicable prices (ADHB) and GRDP by field of business at constant prices (ADHK). According to the Data of BPS, Lamandau Regency's GRDP growth from 2011 to 2017 show that the value of GRDP at Constant Prices (ADHK) in Lamandau Regency has increased. In 2011 the value of real GDP was recorded at Rp. 2.204 trillion, and in 2016 it reached Rp. 3.077 trillion. In other words, the real GRDP of Lamandau Regency has increased by more than Rp. 873 billion throughout five years. The agricultural sector was the most significant contribution to real GRDP in Lamandau Regency from 2011 to 2016.

Likewise, the percentage value of GRDP Growth at ADHK during 2011–2016 also increased. Therefore, from the percentage of its development, the ADHK GRDP of Lamandau Regency from 2011–2016 has increased and decreased based on the seventeen economic sectors that comprise GRDP.

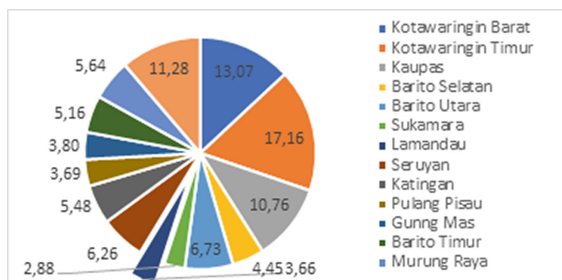
In 2011 the percentage of real GRDP growth was noted at 6.17%. However, in 2013 it increased significantly to 7%, and in 2016 experienced a slowdown to 6.75%, so during that period, the average percentage of GRDP growth in Lamandau Regency was 6.77% per year. The increase in the value of GRDP occurred in all sectors. However, the immense contribution to the growth of ADHK GRDP in Lamandau Regency from 2011 to 2016 was still from the agricultural industry.

### 3.2 Economic Structure

GRDP ADHB reflects the ability of economic resources produced by a region. In 2015, Lamandau Regency's GRDP value reached Rp. 3,657.80 billion is the total gross value added (NTB) formed by all economic sectors in Lamandau Regency. The role of Lamandau Regency's GRDP to Central Kalimantan's GRDP occupies the second lowest position among 14 regencies or cities in Central Kalimantan Province (Fig. 1).

GRDP of Lamandau Regency contributed 2.66% to the total GRDP of Central Kalimantan Province. Despite being in the second lowest position, economic resources in this district have increased from year to year. This is in line with the local government's efforts to boost economic growth and income per capita of the people of the Lamandau Regency.

To analyze the economic landscape, we examine the economic structure of Lamandau Regency. The economic system built by the production sectors moves into economic



**Fig. 1.** Contribution of GRDP ADHB of Lamandau regency on economic growth of central Kalimantan Province in 2016.

power. The sector with the largest NTB will become the backbone of a region's economy. The greater value in a particular sector, the greater the level of dependence of an area on that sector.

Like other regencies or cities in Central Kalimantan, the economic growth of Lamandau Regency is dominated by five sectors out of seventeen existing sectors, namely agriculture, trade, hotels, and restaurants, as well as the services sector in 2011 and 2016. Of the five industries, they contributed 91.49% to forming the GRDP of Lamandau Regency. From the results, the agricultural sector dominates Lamandau Regency's economic development. Meanwhile, the contribution of other sectors is relatively minor.

The significant contribution of the agricultural sector to the GRDP of Lamandau Regency indicates that the role of natural resources is still very high. However, the percentage shown is decreasing in value. This means an increasing contribution to other economic sectors. The expanding contribution was identified in the manufacturing, construction, wholesale and retail trade (car & motorcycle repairs), financial and insurance services, real estate, government administration, defense and compulsory social security, education services, health, and other social services. Therefore, the role of this sector is detected to increase in 2016.

The growth of the business sector in Lamandau Regency in recent years has encouraged the development of industries contributing to growth in Lamandau Regency's GRDP. However, the sector with the most negligible contribution is the electricity and gas sector. In the 2011–2016 period, the role of this sector only reached zero point zero 2%.

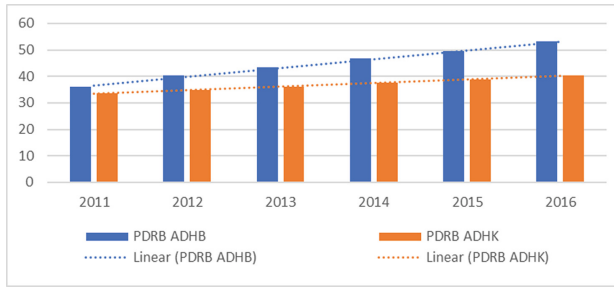
### 3.3 GRDP per Capita

Per capita income is the amount of the average income of the population in an area. This indicator can be used as a measure of prosperity and the level of regional development. In other words, the higher the per capita income, the more prosperous the area is. However, this figure does not represent the real income of the population because this figure is only an average.

GRDP per capita can be measured using two approaches: GRDP at current and constant prices. GRDP at current prices helps to show the value of GRDP per head or

**Table 1.** GRDP per capita of Lamandau Regency (2011–2016).

Year	Prescribed price (Million Rupiah)	Growth (%)	Constant price (Million Rupiah)	Growth (%)
2011	36.19	7.55	33.65	2.40
2012	40.31	11.38	34.89	3.69
2013	43.52	7.96	36.21	3.77
2014	46.75	7.42	37.60	3.84
2015	49.45	5.76	38.95	3.60
2016	53.33	7.84	40.40	3.72



**Fig. 2.** GRDP per capita of Lamandau Regency (2011–2016).

one resident. In contrast, GRDP per capita at regular prices helps to understand the real economic growth per capita of an area's population.

Table 1 shows that per capita GRDP at current prices from year to year shows positive growth along with rapid progress in other development fields. Per capita GRDP, which increases yearly, illustrates that the development process carried out is quite successful and can produce economic progress in Lamandau Regency. Based on calculations based on current prices, the per capita GRDP of Lamandau Regency in 2016 reached Rp 53.33 million. Meanwhile, per capita GRDP at constant prices in 2016 reached Rp 40.40 million, an increase compared to 2011, which reached 33.65 million. If you look at the percentage value of growth, in 2016, it came to 3.69% for ADHK's GRDP per capita. It should be noted that this figure does not take into account the income in and out of Lamandau Regency, but this Fig. 2 has shown an increase in people's revenue within five years [13].

### 3.4 Income Distribution

The formula for measuring the even distribution of income are various, both using simple statistical methods (such as range, standard deviation, Bowley index, coefficient of variation, etc.), as well as empirical methods (Thell index, Oshima index, Kusnet index, etc.), Gini coefficient, World Bank size, Lorenz curve, etc. [14]. However, among the measures mentioned above, two popular steps are used, namely the World Bank criteria and the coefficient of the Gini ratio [15].

Overall, the distribution of income residents in Lamandau Regency is reasonably even, with an income inequality level of 0.35 in 2016 (Table 2). In urban areas, income distribution looks more even than in rural areas. It is indicated by the GRDP of rural

**Table 2.** Gini ratio of Lamandau Regency.

No	Area	Gini ratio
1	Urban	0.29
2	Rural	0.34
3	Urban + Rural	0.35

**Table 3.** Income distribution in Lamandau Regency in 2016.

No.	Expenditure category	People	Total expenditure *) (Rp)	% People (Pi)	% Cumulative people	% Expenditure	% Cumulative expenditure
(1)	(2)	(3)	(4)	(5)	(6)	(7)	(8)
1	<100.000	0	0	0	0	0	0
2	100.000-149.000	0	0	0.000	0.000	0.000	0.000
3	150.000-199.000	0	0	0.000	0.000	0.000	0.000
4	200.000-299.000	567	141.749.433	0.829	0.829	0.194	0.194
5	300.000-499.000	6.903	2.761.193.097	10.089	10.917	3.770	3.694
6	500.000-749.000	18.226	11.391.231.774	26.637	37.554	15.554	19.517
7	750.000-999.999	18.091	15.829.606.909	26.440	63.994	21.614	41.131
8	≥1.000.000	24.637	43.114.725.363	36.006	100	58.869	100
<b>Total</b>		<b>68.424</b>	<b>73.238.506.576</b>	<b>100.000</b>	<b>Xx</b>	<b>Xx</b>	<b>xxx</b>
40%	Lower Income People				20,18		
40%	Middle Income People				36,91		
20%	Upper Income People				42,91		

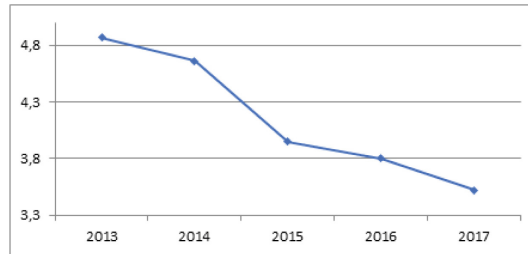
areas of 0.34, which is higher than the GRDP of urban regions at 0.29. This situation is understandable, considering that more people in urban areas work in the non-formal sector and do not have special skills. Hence, their income is relatively even compared to rural areas where the proportion of the population working in the agricultural sector varies greatly in ownership and the land area controlled by the farmers.

According to the World Bank's criteria, the lower-class community has also enjoyed a total income of more than 20%. The income distribution in Lamandau Regency in 2013 is illustrated in Table 3.

In order to narrow income inequality in rural areas, the government should expand employment opportunities in rural areas and further intensify the agricultural sector by using modern technology to increase productivity. Then, provide free educational scholarships and skills training for residents in rural and urban areas in Lamandau Regency to improve human resources quality. The challenge in the future is how to increase the value of income generated or obtained per capita by the community in supporting economic growth. With an increased income value, it supports the improvement of the welfare of the people of Lamandau Regency.

### 3.5 Poverty Rate

The indicator of the percentage of the population above the poverty line is an indicator that describes the ratio of the people living well and not according to specific standards that apply nationally. Nevertheless, the development process, which is considered quite successful and capable of producing economic progress in Lamandau Regency, certainly positively impacts the community's welfare [16]. Indications of the increase in interest can be seen in the decline in the poverty rate of Lamandau Regency.



**Fig. 3.** People in above poverty rate in Lamandau Regency (2013–2017).

In government programs, the development of the social welfare sector is more focused on pro-people programs [17], justice for all, and the MDGs, as stated in Presidential Instruction No. 3 of 2010. To support the success of programs launched by the central government, the Lamandau Regency government always strives for consistency in program implementation to help over the years.

The trade and service sectors, in which migrants primarily engage, both in the formal and informal sectors, impact the marginalization of other workers. In addition, the lack of access to remote areas also hampers economic growth, affecting the number of poor people.

Based on Fig. 3, it can be understood that the poor population in Lamandau Regency during 2013–2017 decreased from year to year. In 2013, the number of poor people in Lamandau Regency was 4.87%, which fell to 4.66% in 2014, reduced to 3.95% in 2015, and in 2016 to 3.80%. It decreased again to 3.52% in 2017.

## 4 Conclusion

This paper attempts to assess the economic development and social welfare of Lamandau Regency after proliferating from its main regency, Kotawaringin Barat. The findings reveal that Lamandau Regency is progressing rapidly regarding the economic and social landscapes. It can be identified from GRDP, economic structure, income distribution, and poverty alleviation. Furthermore, it reflects that the government can manage and run well, ensuring the aims and directions of regional autonomy. Our study adds to the body of the literature on regional autonomy in Indonesia by considering economics and welfare as evaluation tools of decentralization policy. The results are also helpful for the government to design regional autonomy by addressing the issue of economic and welfare disparities in all regions in Indonesia.

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