

# The Impact of Regional Competitiveness on GRDP: Mediating Roles of Unemployment and Poverty in Indonesia

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## Abstract

This research aims to investigate the impact of regional competitiveness on Gross Regional Domestic Product (GRDP) in Indonesia, focusing on the mediating roles of unemployment and poverty in this relationship. The study seeks to provide insights into how enhancing regional competitiveness can influence economic growth while addressing critical socioeconomic issues. Methodology: A mixed-methods approach was employed, combining quantitative and qualitative data. Quantitative data were sourced from secondary reports, including those from BPS and the World Bank, covering 34 Indonesian provinces from 2010 to 2022. Statistical analyses, including regression and correlation, were conducted to examine the relationships between regional competitiveness, GRDP, unemployment, and poverty. Qualitative data were collected through surveys and in-depth interviews to enrich the understanding of the quantitative findings. The findings indicate that regional competitiveness positively affects GRDP, particularly through factors such as infrastructure and institutional development. However, the influence of human resources, market factors, and innovation ecosystems on GRDP is significantly reduced when poverty and unemployment are considered as intervening variables. This highlights the complex interplay between these factors. The study concludes that while enhancing regional competitiveness is crucial for economic growth, it must be coupled with effective strategies to reduce poverty and unemployment. Policymakers are encouraged to focus on strengthening regional infrastructure and institutions to optimize GRDP outcomes. Future research should explore additional indicators of competitiveness and sector-specific impacts to further inform regional development strategies in Indonesia.

**Keywords:** Business; Economic Growth; Regional Competitiveness; Socioeconomic; Unemployment.

## 1. Introduction

In an increasingly interconnected world, the disparities between regions within a country can significantly impact overall economic growth and social stability. As nations strive to enhance their economic resilience, the quest for regional competitiveness has emerged as a critical focus for policymakers and researchers alike (Acemoglu, 2005). In Indonesia, a nation characterized by its vast geographical diversity and pronounced socioeconomic inequalities, understanding the dynamics of regional competitiveness is not just an academic exercise; it is a necessity for fostering sustainable development and improving the quality of life for its citizens (Aiginger & Vogel 2015).

### 1.1 Background of study

Indonesia, the largest archipelago in the world, comprises over 17,000 islands and is home to more than 270 million people (Andersson, 2011). The country has experienced significant economic transformations, particularly since the 1998 financial crisis, which exposed vulnerabilities in its economic structure and governance. The subsequent decentralization policy implemented in 2001 empowered local governments to make decisions that directly impact regional development, allowing provinces to tailor their economic strategies to local conditions (Asheim et al., 2011). This shift has fostered competition among regions, making the understanding of regional competitiveness essential for attracting investment, promoting innovation, and ultimately enhancing the standard of living.

The importance of regional competitiveness has been further underscored by the challenges posed by the COVID-19 pandemic, which has exacerbated existing inequalities and vulnerabilities within the Indonesian economy (Balestrieri, 2014). Recent literature emphasizes how the COVID-19 pandemic significantly amplified regional inequalities by disproportionately affecting regions with weaker institutional capacity and infrastructure deficits (Floerkemeier et al., 2021). This highlights the urgent need for region-specific competitiveness strategies to address the exacerbated socioeconomic vulnerabilities. As regions have come to terms with the economic consequences of the pandemic, the need for specific strategies to improve the region's competitiveness has never been more urgent. According to current studies, infrastructure, human capital, and the quality of institutions are critical elements of the region's competitiveness. Regions with robust infrastructure and effective governance tend to experience higher economic growth rates, attracting investment and fostering innovation

(Cooksey, 2020). However, the interplay between these factors and socioeconomic variables such as unemployment and poverty remains underexplored.

## 1.2 Research gap

Despite the growing body of literature on regional competitiveness, significant gaps persist. Most studies have focused on national-level competitiveness, neglecting the regional nuances that are crucial for understanding local economic dynamics (Crawford et al., 2023). For instance, while some research highlights the role of infrastructure in driving economic growth, it often overlooks how poverty and unemployment can mediate this relationship. Additionally, the arbitrating roles of unemployment and poverty in the association between regional competitiveness and Gross Regional Domestic Product (GRDP) have not been adequately studied (Sihotang et al., 2023). This oversight is particularly concerning in Indonesia, where regional disparities in economic development are pronounced, and where poverty and unemployment remain pressing issues.

The existing literature tends to emphasize individual aspects of competitiveness without considering the complex interplay between these factors and socioeconomic outcomes (Dzemydaitė, 2021). For example, while enhancing human capital and market factors may contribute to regional competitiveness, their effectiveness may be significantly diminished in regions with high poverty and unemployment rates. This highlights the importance of addressing these underlying issues to fully realize the potential benefits of regional competitiveness (Floerkemeier et al., 2021). Furthermore, the Regional Competitiveness Index reveals stark disparities, indicating that provinces on Java Island generally outperform their counterparts in other regions. This difference highlights the need for a more detailed analysis that considers the region-specific factors affecting competitiveness.

## 1.3 Objective

This article aims to fill these knowledge gaps by providing a comprehensive analysis of the relationship between regional competitiveness and GRDP in Indonesia, with a specific focus on the mediating roles of unemployment and poverty (Glass et al., 2019). By examining these dynamics, the research seeks to inform policymakers and stakeholders about effective strategies for enhancing regional competitiveness, promoting economic growth, and reducing socioeconomic disparities across the archipelago (Grassia et al., 2022). The study will explore the relationships between regional competitiveness, GRDP, unemployment, and poverty, offering insights that can guide future research and policy interventions.

The study of regional competitiveness in Indonesia is not only timely but also essential for addressing the complex challenges facing the country (Harris, 2010). As Indonesia continues to navigate the post-pandemic economic landscape, understanding the interplay between regional competitiveness, GRDP, unemployment, and poverty will be crucial for fostering inclusive and sustainable growth. This research aspires to contribute to a more nuanced understanding of regional development in Indonesia, ultimately offering valuable insights for policymakers, investors, and entrepreneurs seeking to promote sustainable economic growth and improve the quality of life for all citizens (Heintz, 2015). By focusing on the mediating roles of unemployment and poverty, this study aims to provide a framework for developing targeted interventions that can enhance regional competitiveness and drive economic progress across Indonesia's diverse provinces.

## 1.4 Research questions

- 1) What is the relationship between regional competitiveness and Gross Regional Domestic Product (GRDP) in Indonesia?
- 2) To what extent does regional competitiveness impact unemployment rates in Indonesia?
- 3) How does regional competitiveness affect poverty levels in Indonesia?
- 4) What regional-specific factors influence competitiveness in Indonesia?
- 5) What are the mediating roles of unemployment and poverty in the relationship between regional competitiveness and GRDP?

## 1.5 Significance and relevance of the study

The significance of this study lies in its potential to contribute to a deeper understanding of regional competitiveness and its implications for economic development in Indonesia (Huggins, 2009). As the country continues to face challenges related to economic inequality, unemployment, and poverty, the findings of this research can inform policymakers and stakeholders about effective strategies to enhance regional competitiveness and promote sustainable growth.

- 1) Policy Implications: By identifying the key factors that drive regional competitiveness and their impact on GRDP, unemployment, and poverty, this study can provide valuable insights for policymakers. It can guide the formulation of targeted interventions that address regional disparities and foster inclusive economic development.
- 2) Economic Development: Understanding the dynamics of regional competitiveness is crucial for enhancing economic resilience in Indonesia. The study's findings can help regions leverage their unique strengths and resources, ultimately contributing to improved living standards and reduced poverty.
- 3) Academic Contribution: This research will fill existing gaps in the literature by providing a comprehensive analysis of the relationships between regional competitiveness, GRDP, unemployment, and poverty. Knowledge about regional development will contribute to an increasingly closer view, especially in the context of developing countries, such as Indonesia.
- 4) Practical Applications: The insights gained from this study can be beneficial for local governments, businesses, and community organizations seeking to enhance regional competitiveness. By understanding the factors that contribute to economic growth, stakeholders can develop strategies that align with local needs and priorities.

## 1.6 Problem statement

Despite the recognized importance of regional competitiveness in driving economic growth and reducing poverty, significant disparities exist among Indonesia's provinces. The Regional Competitiveness Index reveals that regions outside Java often lag in terms of economic performance, infrastructure, and human capital development (Huggins, 2008). This inequality poses a challenge for national policymakers who aim to promote inclusive growth and address the needs of diverse populations.

Furthermore, the roles of unemployment and poverty as mediating variables in the relationship between regional competitiveness and GRDP remain underexplored. Existing research has primarily focused on individual components of competitiveness without adequately

considering how socioeconomic factors influence these relationships (Kovács et al., 2023). As a result, there is a pressing need for a comprehensive analysis that examines the interplay between regional competitiveness, economic growth, unemployment, and poverty in Indonesia.

This study seeks to address these issues by investigating the complex relationships between regional competitiveness and economic outcomes, with a particular focus on the mediating roles of unemployment and poverty (George, 2011). By doing so, it aims to provide a clearer understanding of how regional competitiveness can be leveraged to enhance GRDP and improve the overall well-being of Indonesia's diverse regions.

## 2. Literature review

The literature on regional competitiveness and its implications for economic outcomes, particularly in Indonesia, is extensive and multifaceted (Liang, 2024). This review synthesizes relevant studies, highlights recent publications, analyzes key findings and methodologies, critically evaluates strengths, and identifies gaps and limitations, all while maintaining clear connections to the research question.

Regional competitiveness influences socioeconomic outcomes such as Gross Regional Domestic Product (GRDP), unemployment, and poverty), unemployment, and poverty levels. Studies by Si et al. (2019) and Kouskoura et al. (2024) provide foundational insights into how regional competitiveness can enhance economic resilience and attract investments. Recent mediation analyses (Thye et al., 2022) highlight the importance of integrating socioeconomic mediators like unemployment and poverty in understanding the full impact of regional competitiveness on economic outcomes. These studies emphasize the importance of local factors, such as infrastructure, human capital, and institutional quality, in shaping regional competitiveness. Furthermore, Sinaga (2020) explores the mediating roles of unemployment and poverty, establishing a direct link between these socioeconomic factors and regional competitiveness, which is central to the current research.

### 2.1 Recent publications

Incorporating recent publications is essential for ensuring the relevance of the research. For instance, Hossain et al. (2024) utilize a mixed-methods approach to examine the relationship between regional competitiveness and socioeconomic outcomes, providing contemporary insights into the dynamics of regional development. Their findings underscore the necessity of integrating quantitative and qualitative data to capture the complexities of regional competitiveness. Additionally, Esteve et al. (2019) discuss advancements in research methodologies, which are crucial for validating the instruments used in the current study. By including these recent studies, the current research remains aligned with contemporary developments in the field.

The depth of analysis in the literature is reflected in the diverse methodologies employed by researchers. The current study adopts a mixed-methods approach, combining quantitative data analysis with qualitative insights (Luckhurst, 2017). The objective of this methodology is to integrate both types of data to understand the competitiveness of the region. The quantitative aspect includes statistical techniques such as the regression in the analysis of the relationships between regional competitiveness, GDP, unemployment and poverty. This vision allows a solid analysis of the factors that influence the economic activity of the region.

On the qualitative side, the inclusion of interviews and surveys provides nuanced insights into the contextual factors that shape regional competitiveness (Mattoon, 2004). This dual approach not only enriches the analysis but also aligns with the findings of which emphasize the importance of understanding the local context in which regional competitiveness operates. By employing a mixed-methods approach, the current research is well-positioned to uncover the complexities of regional dynamics and offer valuable insights for policymakers.

The strengths of the existing literature are notable. The comprehensive frameworks established by studies such as those provide a solid foundation for understanding the multifaceted nature of regional competitiveness (Montolio & Solé-Ollé, 2008). The methodological rigor of mixed-methods approaches enhances the reliability of findings, allowing for triangulation of data and validation of results. Furthermore, the emphasis on local context and specific regional factors contributes to a more nuanced understanding of the dynamics at play, which is essential for effective policy formulation.

Theoretical frameworks underpinning regional competitiveness often draw from economic theories that emphasize the role of human capital, innovation, and institutional quality (Naeem et al., 2023). Theories such as Porter's Diamond Model highlight the importance of local conditions in fostering competitive advantage, while the New Economic Geography emphasizes spatial factors influencing economic activities. These theories provide a robust foundation for analyzing regional competitiveness, yet they also reveal the need for context-specific adaptations, particularly in developing countries like Indonesia.

The synthesis of existing research findings reveals a consensus on the importance of regional competitiveness in driving economic growth. Studies consistently highlight the role of infrastructure, human capital, and institutional quality as critical determinants of regional competitiveness (Nijkamp, 1986). However, there is also recognition of the mediating roles of unemployment and poverty, which can significantly influence the effectiveness of regional competitiveness strategies. This synthesis underscores the interconnectedness of these factors and the need for comprehensive approaches to regional development.

### 2.2 Identification of gaps and limitations

Despite the wealth of research, several gaps and limitations persist. Many studies focus primarily on national-level competitiveness, neglecting the nuances of regional analysis. Additionally, empirical investigations linking regional competitiveness to GRDP, unemployment, and poverty remain scarce (Oktaviana & Amalia, 2018). The arbitrating roles of unemployment and poverty in the association among regional competitiveness and GRDP are also understudied. Furthermore, the geographical focus on Indonesia may limit the generalizability of findings to other contexts, and the reliance on secondary data sources raises concerns about data accuracy.

### 2.3 Comparative regional perspectives

Comparative analyses with neighboring ASEAN countries such as Malaysia and the Philippines reveal that regional competitiveness significantly impacts GRDP, but the mediating roles of unemployment and poverty differ due to variations in institutional quality and socioeconomic structures. For instance, Malaysia's targeted regional development initiatives and infrastructure investments have significantly alleviated unemployment and poverty, enhancing overall economic outcomes (Kouskoura et al., 2024). Similarly, studies in the Philippines highlight that institutional effectiveness strongly moderates competitiveness and economic growth, underscoring the importance of context-

specific policy interventions (Floerkemeier et al., 2021). Integrating these comparative insights can offer valuable lessons for Indonesian policymakers.

## 2.4 Clear connections to the research question

The literature reviewed establishes clear connections to the research question, which seeks to explore the relationship between regional competitiveness and GRDP in Indonesia, with a particular focus on the mediating roles of unemployment and poverty (Palei, 2015). By addressing the identified cracks and boundaries, the aim of this research is to contribute to a better understanding of the competitiveness of the regions, as well as their consequences on Indonesia's economic growth. This comprehensive vision, in addition to serving as a basis for future research, provides valuable information to policymakers seeking to improve the region's competitiveness and effectively address socio-economic challenges.

In conclusion, this literature review highlights the importance of regional competitiveness in driving economic growth and development in Indonesia (Panzer & Postiglione, 2021). By focusing on relevant studies, incorporating recent publications, analyzing key findings and methodologies, and critically evaluating strengths and limitations, the current research contributes to a deeper understanding of the complex relationships between regional competitiveness, GRDP, unemployment, and poverty (Paulus, 2022). This comprehensive vision, in addition to serving as a basis for future research, provides valuable information to policymakers seeking to improve the region's competitiveness and effectively address socio-economic challenges.

## 3. Methods

### 3.1 Research design

The study includes the design of mixed research methods, integrating quantitative and qualitative approaches, to comprehensively understand the complex relationships between regional competitiveness, GDP, unemployment, and poverty. This design allows for triangulation of data, enhancing the validity and reliability of the findings (Pavlova, 2019). The quantitative component involves statistical analysis to identify correlations and causal relationships, while the qualitative component seeks to explore contextual factors and individual experiences related to regional competitiveness. This dual approach aligns with the recommendations of for capturing the multifaceted nature of regional development.

### 3.2 Participants

The study targets participants from various regions in Indonesia, focusing on individuals and stakeholders involved in regional economic activities. It includes civil servants, business owners, European leaders, and residents in local governments. The background of the participants is essential to achieve a broad vision of the competitiveness of the region and its consequences on economic activity. The sample size consists of 192 participants, representing approximately 50.5% of the population in the selected regions, ensuring a robust representation of the community.

### 3.3 Sampling strategy

A voluntary sampling strategy is used to select participants with relevant knowledge and experiences about the competitiveness of the region. This approach ensures that the sample includes people who can provide valuable information about the factors influencing the economic development of the region. Participants are selected based on specific criteria such as involvement in local governance, business operations, or community development initiatives. This targeted selection process allows for a deeper exploration of the nuances of regional competitiveness and its impact on GRDP, unemployment, and poverty.

### 3.4 Data collection

Data collection involves a combination of quantitative and qualitative methods:

- **Quantitative Data Collection:** Statistical records and survey responses are utilized to gather quantitative data. Surveys are designed to assess participants' perceptions of regional competitiveness, economic conditions, and socioeconomic challenges. The survey instrument includes structured questions that facilitate statistical analysis, allowing for the identification of trends and correlations among variables.
- **Qualitative Data Collection:** Qualitative data is gathered through in-depth interviews, observations, and written sources. Interviews are conducted with selected participants to explore their experiences and perspectives on regional competitiveness. Observations of local economic activities and community initiatives provide additional context for the quantitative findings. Written sources, such as reports and policy documents, are also reviewed to supplement the data collected.

### 3.5 Data analysis

#### 3.5.1 Data analysis involves both quantitative and qualitative procedures

**Quantitative Data Analysis:** Statistical analysis is performed using software such as SPSS or R. Descriptive statistics are calculated to summarize the demographic characteristics of participants and the key variables of interest. Inferential statistics, Quantitative analysis included regression and Structural Equation Modeling (SEM) to explore relationships among regional competitiveness, Gross Regional Domestic Product (GRDP), unemployment, and poverty.

This analysis helps to identify significant predictors and assess the strength of associations among the variables. **Qualitative Data Analysis:** Qualitative data is analyzed using thematic analysis, which involves coding the data to identify recurring themes and patterns. This process includes transcribing interviews, categorizing responses, and interpreting the findings in relation to the research questions. The qualitative analysis provides nuanced insights into the contextual factors influencing regional competitiveness and the lived experiences of participants. By employing a mixed-methods approach, the study aims to provide a comprehensive understanding of the interplay between regional

competitiveness, GRDP, unemployment, and poverty in Indonesia (Riyanto et al., 2023). This methodology not only enhances the robustness of the findings but also contributes to the development of targeted strategies for improving regional economic outcomes.

**Mediation Analysis Procedure** Mediation analysis was conducted following the Baron and Kenny (1986) method, employing regression analyses to assess direct and indirect relationships between variables. Initially, regional competitiveness regressed onto GRDP to establish a direct effect. Subsequently, unemployment and poverty rates were individually regressed onto regional competitiveness to confirm mediator relationships. Finally, GRDP was regressed onto regional competitiveness alongside unemployment and poverty to identify any reduction in the direct effect of competitiveness, thereby confirming mediation. Structural Equation Modeling (SEM) was also employed using AMOS to validate the mediation paths.

## 4. Results

This section presents the findings of the study, utilizing tables and figures for clarity, followed by concise interpretations of the key results (Ruja et al., 2024). Additionally, the findings are compared to existing literature to contextualize the results within the broader field of regional competitiveness and economic development.

**Table 1:** Summary of Quantitative Findings

Variable	Mean Score	Standard Deviation	Correlation with GRDP
Regional Competitiveness	3.75	0.85	0.65
Unemployment Rate	6.2%	2.1%	-0.45
Poverty Level	12.5%	3.4%	-0.55

Note: Mean Score for Regional Competitiveness is based on a 5-point Likert scale (1=Very Low, 5=Very High). Unemployment Rate and Poverty Level are presented as percentages.

### 4.1 Quantitative analysis

The quantitative analysis reveals a significant positive correlation ( $r = 0.65$ ) between regional competitiveness and GRDP, indicating that higher levels of competitiveness are associated with increased economic output. Conversely, unemployment and poverty levels show negative correlations with GRDP ( $r = -0.45$  and  $r = -0.55$ , respectively), suggesting that higher unemployment and poverty hinder economic growth.

Qualitative findings from interviews highlight that infrastructure development and institutional quality are perceived as critical components of regional competitiveness (Suparman & Muzakir, 2023). Participants emphasized the need for targeted investments in these areas to enhance economic performance. Additionally, the qualitative data corroborates the quantitative findings, illustrating how poverty and unemployment serve as barriers to economic advancement.

### 4.2 Comparison to literature: relate results to existing research

The results of this study align with existing literature on regional competitiveness and economic growth. For instance, Straub (2008) emphasizes the importance of infrastructure in driving regional economic development, which is supported by the findings that infrastructure is a key factor in enhancing GRDP. Similarly, the role of human capital, as discussed is reflected in the qualitative data, where participants noted that education and training programs are essential for fostering innovation and competitiveness.

However, this study diverges from some previous research by highlighting the moderate impact of innovative ecosystems on GRDP growth when poverty is considered as an intervening variable. While Schumpeter (2017) posits that innovation is a primary driver of economic growth, the findings suggest that its effectiveness is diminished in regions with high poverty levels. This nuanced understanding contributes to literature by illustrating the complex interplay between regional competitiveness, socioeconomic factors, and economic outcomes. Overall, the findings provide valuable insights for policymakers, reinforcing the need for a multifaceted approach to enhance regional competitiveness and economic growth while addressing unemployment and poverty challenges.

## 5. Discussion

### 5.1 Implications

The findings of this study underscore the critical role of regional competitiveness in driving economic growth, as measured by Gross Regional Domestic Product (GRDP) (Tabash et al., 2024). The significant positive correlation between regional competitiveness and GRDP highlights the importance of fostering competitive environments to enhance economic performance.

- **Implications for Practice:** Policymakers should prioritize investments in infrastructure and human capital development, as these factors are essential for improving regional competitiveness. By implementing training programs and enhancing educational opportunities, regions can reduce unemployment and poverty levels, thereby creating a more conducive environment for economic growth.
- **Implications for Policy:** The study suggests that targeted interventions are necessary to address regional disparities in competitiveness. Policymakers should consider place-based strategies that focus on high-growth sectors and tailor policies to the unique needs of each region (Zamawe, 2015). This approach can help mitigate the negative impacts of unemployment and poverty on economic development.
- **Sector-Specific and Digital Transformation Recommendations** Policymakers should tailor competitiveness policies based on sectoral characteristics, prioritizing infrastructure in manufacturing regions and human capital in agricultural areas. Moreover, embracing digital transformation through fintech and blockchain technologies can mitigate the mediating effects of poverty by providing inclusive financial services and enhancing transparency in resource distribution.
- **Implications for Future Research:** The findings open avenues for further investigation into the specific mechanisms through which regional competitiveness influences GRDP. Future research could explore the role of innovative ecosystems in greater depth, particularly in regions with varying levels of poverty and unemployment.

## 5.2 Interpretation of results considering literature

The results align with existing literature that emphasizes the importance of infrastructure and human capital in driving regional economic growth. In both highlight these factors as critical components of regional competitiveness (Talitha et al., 2019). However, this study adds a new dimension by illustrating how poverty and unemployment can moderate the relationship between regional competitiveness and economic outcomes (Thompson & Dahling, 2019). This nuanced interpretation suggests that while competitiveness is vital, its effectiveness is contingent upon addressing underlying socioeconomic challenges (Thye et al., 2022).

## 5.3 Limitations

This study has several limitations to consider. First, the geographical area is limited to Indonesia, which may reduce the generalizability of the results to other contexts. In addition, reliance on indirect data provides a snapshot of the relationships between variables that do not have longitudinal information that can reveal the dynamics of the cause over time. Measurement limitations may also affect the accuracy of regional competitiveness and GRDP metrics, potentially influencing the results.

## 5.4 Future research

Future research should aim to address these limitations by conducting comparative analyses across multiple countries or regions to enhance the generalizability of findings (Tomaszewski et al., 2020). Longitudinal studies could provide deeper insights into the causal relationships between regional competitiveness, unemployment, and poverty over time (Ulum et al., 2023). Furthermore, qualitative approaches, such as case studies or in-depth interviews, could yield nuanced insights into the specific factors influencing regional competitiveness.

## 5.5 Practical applications

The findings of this study have several practical applications. Policymakers can utilize the insights to design targeted interventions that enhance regional competitiveness through infrastructure development and human capital investments (Van Niekerk, 2020). Additionally, businesses and investors can leverage the understanding of regional competitiveness to identify opportunities for growth in specific areas, particularly those with supportive policies and infrastructure (Vaz et al., 2023). By adopting a comprehensive approach that considers the interplay between regional competitiveness, unemployment, and poverty, stakeholders can work towards sustainable economic development that benefits all regions.

## 6. Conclusion

Ultimately, this study highlighted the role of regional competitiveness in improving Indonesia's Gross Regional Domestic Product (GRDP), emphasizing the mediating effects of unemployment and poverty. The results showed a positive correlation between regional competitiveness and GDP, meaning that more competitive regions tend to have higher economic growth. Conversely, high levels of unemployment and poverty were found to negatively impact GRDP, highlighting the importance of addressing these socioeconomic challenges. The research underscored the critical need for targeted investments in infrastructure and human capital to foster regional competitiveness and drive economic development. The purpose of this article was to delve into the complex relationships between regional competitiveness, GRDP, unemployment, and poverty in Indonesia. By identifying the intermediate roles between unemployment and poverty, the study aimed to provide valuable information to policymakers and stakeholders to improve the region's economic activity and promote sustainable development. Ultimately, the findings emphasize that regional competitiveness is not merely a function of economic indicators but is deeply intertwined with social factors such as unemployment and poverty. As Indonesia continues to avoid the challenges of economic globalization and interregional inequalities, it is imperative that policymakers take a holistic and competitive view to alleviate poverty and create jobs. In doing so, they can create a fairer and more prosperous future for all regions, ultimately contributing to the nation's overall economic resilience. The journey towards sustainable regional development is complex, but with informed strategies and collaborative efforts, it is achievable.

This study advances theoretical discourse by extending Porter's Diamond Theory within a developing country context, illustrating how socioeconomic factors like unemployment and poverty mediate competitive advantage at the regional level. Future research should prioritize longitudinal studies to unravel causality over time, sector-specific analyses to better understand contextual drivers, and comparative studies to enhance the applicability of findings beyond Indonesia.

## Conflict of interest

The author declares that there is no conflict of interest.

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