

Strategies and Policies of East Java Regional Government in Encouraging The Spread of Investment and Building The Investment Climate 2021-2025

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Abstract. This research was conducted at the Investment and One-Stop Services Office / *Dinas Penanaman Modal dan Pelayanan Terpadu Satu Pintu* (DPMPTSP) of East Java Province. This research aims to provide information related to Promoting Strategy and Policy, expanding the Spread of Investment and building the Investment Climate in East Java. This study uses a qualitative method with a descriptive approach. Data collection techniques can be done by observation, questionnaire, documentation and a combination of all. The data sources used in this study are primary data and secondary data. The informants in the study were the Office in the East Java Provincial Government, Regency / City DPMPTSP in East Java, Internal Affairs in the East Java Province DPMPTSP. While the sampling used in this study is saturated sampling. Based on the results of the study it was concluded that 1. Improved coordination between the Central Government, Provincial Government and Regency / City Governments of East Java, 2. designing an online-based market place that sells Investment Project Ready to Offer (IPRO) projects 3. Improving the investment climate to make it more conducive and overlapping regulations, increasing bureaucratic efficiency through simplifying business licensing procedures, regulations and Law Enforcement. 4. Encouraging the creation of a one-door Integrated Licensing Service institution in the Regency/City. 5. Encouraging investment in businesses that are less attractive to investors. 6. Encouraging investment in areas that have so far had minimal investment, such as the central and southern regions of East Java. 7. Encouraging the opening of new industrial areas, especially outside the Surabaya, Gresik, Sidoarjo and Mojokerto areas. Improving the investment climate so that it is more conducive and regulations are overlapping, increasing bureaucratic efficiency through simplifying business licensing procedures, regulations and Law Enforcement. 4. Encouraging the creation of a one-door Integrated Licensing Service institution in the Regency/City. 5. Encouraging investment in businesses that are less attractive to investors. 6. Encouraging investment in areas that have so far had minimal investment, such as the central and southern regions of East Java. 7. Encouraging the opening of new industrial areas, especially outside the Surabaya, Gresik, Sidoarjo and Mojokerto areas. Encouraging the creation of a one-door Integrated Licensing Service institution in the Regency/City. 5. Encouraging investment in businesses that are less attractive to investors. 6. Encouraging investment in areas that have so far had minimal investment, such as the central and southern regions of East Java. 7. Encouraging the opening of new industrial areas, especially outside the Surabaya, Gresik, Sidoarjo and Mojokerto areas. Encouraging the creation of a one-door Integrated Licensing Service institution in the Regency/City. 5. Encouraging investment in businesses that are less attractive to investors. 6. Encouraging investment in areas that have so far had minimal investment, such as the central and southern regions of East Java. 7. Encouraging the opening of new industrial areas, especially outside the Surabaya, Gresik, Sidoarjo and Mojokerto areas.

Keywords: Investment; Equity; Development.

I. INTRODUCTION

One of the important variables driving economic growth is investment. Investment can be influenced by foreign and domestic investment. Factors that can affect investment that are taken into consideration by investors in investing their capital include: First, Natural Resources factors, Second, Human Resources factors, Third, political and economic stability factors, to ensure certainty in doing business, Fourth, government policy factors, Fifth, convenience factors in licensing. Investment development is a policy that has an economic impact such as an increase in the number of goods and services, added value creation, use of labor and other economic resources (use of labor and other economic resources),

Investment development in the regions can increase the economic capacity of the local community which will directly improve the welfare of the community in general, and will also have a positive impact on increasing the financial capacity of the region. According to the Law of the Republic of Indonesia number 25 of 2007 concerning Investment says that. The purpose of organizing investment, among others, is to: (a). increasing national economic growth; (b). creating jobs; (c). promote sustainable economic development; (d). increasing the competitiveness of the national business world; (e). increase national technological capacity and capability; (f). encourage the development of the people's economy; (g). processing economic potential into real economic strength by using funds originating, both from within the country and from abroad; and (h). improve community welfare. Therefore the Government establishes basic investment policies (capital investment) for: (a). encourage the creation of a conducive national business climate for investment (capital investment) to strengthen the competitiveness of the national economy; and (b). accelerating the increase in investment. Therefore the Government establishes basic investment policies (capital investment) for: (a). encouraging the creation of a conducive national business climate for investment to strengthen the competitiveness of the national economy; and (b). accelerating increase in investment. encourage the creation of a conducive national business climate for investment (capital investment) to strengthen the competitiveness of the national economy; and (b). accelerating increase in investment. encourage the creation of a conducive national business climate for investment (capital investment) to strengthen the competitiveness of the national economy; and (b). accelerating increase in investment.

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The development of Interest in Foreign Investment and Interest in Domestic Investment in East Java in 2014-2022 is presented in the following figure which is presented with the principle permit value and investment realization value shown in the following figure



Figure 1: East Java Foreign Investment Performance 2014-2022
Source: Primary data processed



Figure 2: East Java PMDN Performance 2014-2022

Source: Primary data processed

The achievements of the realization of foreign investment and domestic investment in East Java in 2014-2022 continue to show fluctuations up and down. For example, based on existing data, foreign investment from 2015 to 2019 has continued to decline. The decline in foreign investment as well as domestic investment actually stems from many factors that become problems such as the inefficient licensing service process, the still high gap between investment interest and investment realization, the low investment competitiveness, the investment climate that is still not conducive, the lack of availability Adequate investment data and information, Inadequate Investment Promotion and Cooperation, Weak control of investment implementation, Lack of utilization of information technology that supports ease of investment.

Based on the data and description above, the researcher is interested in conducting research related to Strategy and policy Maintaining, Encouraging, Expanding the Distribution of Investment and Building the Investment Climate in East Java.

Formulation of the problem

"How Strategy and policy Maintaining, Encouraging, Expanding the Spread of Investment and Building the Investment Climate in East Java?"

Research Objectives and Benefits

Research purposes:

Based on the formulation of the problem above, the purpose of this research is: "To provide information related to strategies and policies to encourage, expand the spread of

Benefit:

- a. By knowing the fluctuations in the investment value of both FDI and PMDN, it can increase the conductivity of investing in East Java, so that in the future investment services will be better, easier and transparent which will impact on the Growth of Investment Realization in East Java.
- b. Provide input in an effort to inventory changes in investment permits that are able to create a conducive foreign investment climate in East Java.

II. LITERATURE REVIEW

2.1. Strategy

According to David (2015) Strategy is a way to achieve long-term goals, business strategies can be in the form of geographical expansion, diversification, acquisitions, product development, market penetration, employee rationalization, divestments, liquidations, and joint ventures. Meanwhile, according to Tjiptono (2019) says that strategy is a set of related overall ways by implementing an idea, a plan within a predetermined time (Strategy is a set of overall ways related to the implementation of an idea, a plan within a predetermined time). According to Johnson and Scholes (2005), strategy is the long-term direction and scope of an organization that achieves benefits for the organization through the configuration of resources in a challenging environment, to meet market needs and meet stakeholder expectations. Which means Strategy is the long-term direction and scope of the organization that achieves benefits for the organization through the configuration of resources in a challenging environment, to meet market needs and meet stakeholder expectations. Stephanie K. Marrus (2022) said Strategy is a process of determining top management plans that focus on the long-term goals of the organization, accompanied by the preparation of methods or efforts on how to achieve these goals. According to (anthony) Anthony, Parrewe, and Kacmar (2013) Strategy is the formulation of organizational missions and goals, including action plans to achieve goals by explicitly

4.2 Investment

According to Fitz Gerald (1981), Investment as an activity related to efforts to withdraw the resources used to procure capital goods at the present time which will then generate a flow of new products in the future. Which means Investment as an activity related to efforts to withdraw the resources used for the procurement of capital goods at this time which will then generate a flow of new products in the future. James C. Van Horn (2014) defines the notion of investment as an activity carried out by utilizing current cash with the aim of obtaining goods in the future (investment as an activity carried out by utilizing current cash with the aim of obtaining goods in the future come). According to Sadono Sukirno (2016), Sunariah (2011) says investment is an investment for one or more assets that are owned and also usually for a long time with the hope of getting profits in the future.

4.3 Foreign investment

Foreign Investment is a flow of capital flows originating from abroad that flow to the private sector either through Foreign Direct Investment or Indirect Foreign Investment in the form of a portfolio. According to the Law of the Republic of Indonesia number 25 of 2007 concerning Foreign Investment, it states that "Foreign investment is an investment activity to conduct business in the territory of the Republic of Indonesia carried out by foreign investors, both those using foreign capital wholly (completely foreign capital) or joint foreign capital with domestic investors (domestic investors). The meaning of foreign investment in this Law only includes direct foreign investment which is carried out based on the provisions of the Law and which is used to run companies in Indonesia, in the sense that the owner of the capital directly bears the risk of the investment. Krugman & Obsfeld (2012) states that what is meant by foreign investment is an international capital flow where companies from one country establish or expand their companies in other countries. The salient feature of this foreign investment is that

is also related to control. Foreign investment can be in the form of opening new factories or company branches in other countries, merging with foreign companies or by acquiring foreign or domestic companies that already exist in other countries. Foreign investment does not only involve the transfer of resources but is also related to control. Foreign investment can take the form of opening a new factory or branch company in another country, merging with a foreign company or acquiring an existing foreign or domestic company in another country). According to Salvatore (2011) foreign investment includes investment into real assets in the form of building factories, procuring various types of capital goods, purchasing land for production purposes, purchasing various inventory equipment, and so on. The procurement of foreign capital is usually accompanied by the implementation of management functions, and the investors themselves retain control over the funds they have invested production needs, purchase of various inventory equipment, and so on. Procurement of foreign capital is usually accompanied by the implementation of management functions, and investors themselves are in control of the funds invested).

4.4 Domestic investment

According to the Law of the Republic of Indonesia Number 25 of 2007 concerning Investment, domestic capital is capital owned by the Republic of Indonesia, individual Indonesian citizens, or business entities in the form of legal entities or non-legal entities. Domestic investment can be made in the form of a business entity in the form of a legal entity, not a legal entity or an individual business, in accordance with statutory provisions. Domestic and foreign investors who invest in the form of a limited liability company are carried out by: (a). taking shares at the time of establishment of the limited liability company; buying shares; and take other ways in accordance with the provisions of the legislation.

III. RESEARCH METHODOLOGY

3.1. Research Approach.

The type of research used is descriptive-qualitative, namely a method or technique for collecting, processing, presenting and analyzing

data so that it can provide a systematic, factual and accurate description of the facts, nature and relationships between the phenomena investigated. The reason for using a qualitative method with a descriptive approach has the reason that researchers can look more deeply and know the strategies used

by DPMPTSP in increasing investment in East Java. Descriptive qualitative research is a research method used in research by looking at natural objective conditions and based on the philosophy of post-positivism where in this case the researcher plays the role of the key instrument (Sugiyono, 2017).

3.2. Data Types and Sources

The types of data used in this study are primary data and secondary data and the data sources used are the Offices/SKPD in the East Java Provincial Government, District/City DPMPTSP in East Java, Internal Field in East Java Province DPMPTSP and sources officially published by the National Single Window For Investment (NSWi) Investment Coordinating Board. The core question underlying this study focuses on trend analysis of the development of foreign investment in East Java. The data used as a reference for measuring the above criteria comes from the National Single Window for Investment (NSWi) of the Investment Coordinating Board.

3.3. Method of Collecting Data

The data collection technique used was distributing questionnaires through an online application system, distributing instruments, and studying documentation. This technique is a study of references related to research problem factors. The documents referred to include books, articles containing PMDN & PMA investments in East Java with sources from the National Single Window for Investment (NSWi) issued by the Investment Coordinating Board.

3.4. Analysis Techniques

Data analysis was carried out in a descriptive quantitative and qualitative way

a. Qualitative analysis was carried out by describing the trend of investment development in East Java. Description of the investment movement rate for the period 2014 to 2022 based on the business sector and area carried out in East Java. Thus, it can be seen the level of distribution of investment by district/city and business sector in East Java. Data is collected through Documentation, then Data Display is carried out, namely compiling data, then Simplification is carried out according to data needs; The next step is presenting the

presenting information from various relevant sources, both in the form of literature



Figure 3: Descriptive Data Analysis Steps

IV RESULTS AND DISCUSSION

4.1. Development of East Java FDI and PMDN Contribution to National Investment Performance 2014-2022

Table 1: Contribution of East Java FDI to National FDI Year 2014-2022

PMA Jawa Timur (Juta \$)	1.802.505,9	2.593.377,3	1.941.034,5	1.566.657,0	1.333.380,3	866.281,6	1.575.459,8	1.849.172,6	2.171.006,1
PMA Nasional (Juta \$)	28.529.698,5	29.275.940,8	28.964.074,8	32.239.751,8	29.307.907,7	28.208.760,7	28.666.272,2	31.093.069,0	33.398.318,2
Kontribusi Terhadap PMA Nasional	6,32%	8,86%	6,70%	4,86%	4,55%	3,07%	5,50%	5,95%	6,50%

Source: Primary data processed

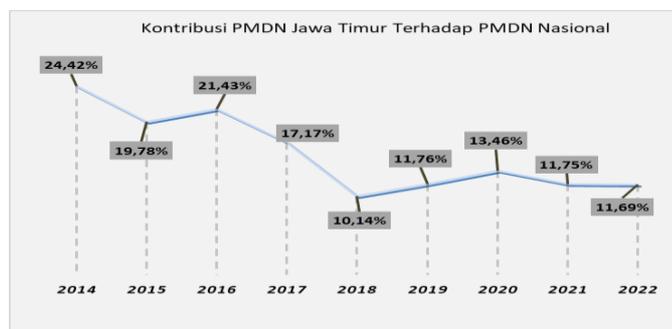


Figure 4: Contribution of East Java FDI to National FDI

Based on Figure 4 above, it shows that East Java's FDI performance against national FDI shows that in 2015 it experienced an increase compared to 2014, namely from 6.32% to 8.86%. Meanwhile, starting in 2014-2019 it showed a downward trend from 8.86% to the lowest point of 3.07%. However, starting in 2019-2022 foreign investors in East Java have started to show a positive trend, where starting at 3.07%, they have continued to increase until in the third quarter of 2022 they have been able to

achieve an increase to 6.50%.

data in the form of images. Then interpreting the comparative data and the final step is formulating conclusions and finally providing recommendations according to (Sugiyono, 2017) carried out by

Table 2: Sutarmin, Saibat Contribution of East Java PMDN Building The Investment Climate 2021-2025

toNational PMDN
Year 2014-2022

Keterangan	2014	2015	2016	2017	2018	2019	2020	2021	2022
PMDN Jawa Timur (Juta Rp)	38.131.964,7	35.489.794,2	46.331.573,4	45.044.540,4	33.333.129,8	45.452.714,1	55.660.575,2	52.552.238,5	48.301.738,9
PMDN Nasional (Juta Rp)	156.126.157,0	179.465.867,2	216.230.848,1	262.350.546,9	328.604.916,4	386.498.388,9	413.535.523,5	447.063.646,4	413.152.003,0
Kontribusi Jawa Timur	24,42%	19,78%	21,43%	17,17%	10,14%	11,76%	13,46%	11,75%	11,69%

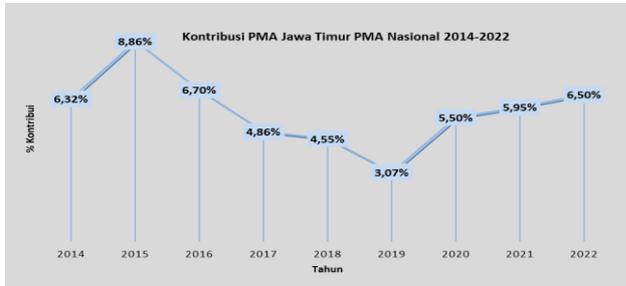


Figure 5: Contribution of East Java PMDN to National PMDN

Based on the illustration in Figure 5 above, it shows that the performance of East Java PMDN to national PMDN shows that in 2015 it has decreased compared to 2014, namely from 24.42% to 19.78%. Meanwhile, in 2016 there was an increase compared to 2015, namely from 19.78 to 21.43%. However, in 2016-2018 there was a decreasing trend, namely in 2016 21.43% to 10.14% in 2018. In 2018-2020 there was an increasing trend from 10.14% in 2018 to 13.46% in 2020. And for two consecutive years from 2020 to the third quarter of 2022, contribution developments tend to decrease from 13.46% in 2020 to 11.69% in 2022.

4.1. Distribution of East Java Foreign Investment by Country of Origin 2021-2022

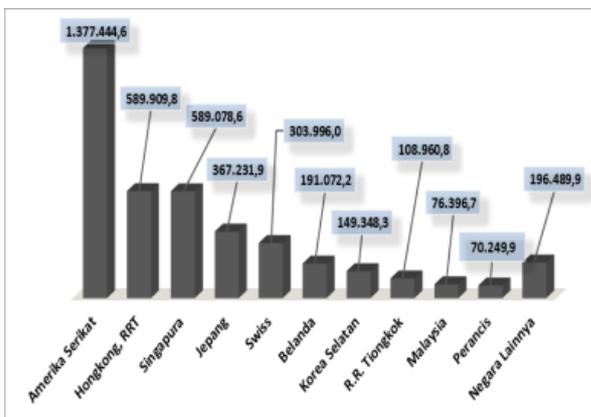


Figure 6: East Java Foreign Investment Value Distribution 2021-2022 (000\$)

Based on figure 6, during the 2021-2022 period it shows Investment performance based on Country of Origin. The ten largest countries are the United States, which is the country that has the most investment in East Java with a contribution of 34% of the total FDI in East Java or the investment value that awarded in the amount of 1,377,444.6 (thousand \$). Followed by Hong Kong, PRC with a contribution of 15% of the total FDI in East Java or an investment value of 589,909.8 (thousand \$). The order of the ten countries is the United States, Hong Kong, China, Singapore, Japan, Switzerland, the Netherlands, South Korea, China, Malaysia. Other countries with potential for promotion and investment cooperation in East Java are Taiwan, Australia, Cayman Islands, West Samoa, Germany, Denmark, Belgium, England, Brazil, British Virgin Islands, Luxemburg.

4.1. Distribution of Foreign Investment in East Java Regencies/Cities 2021-2022

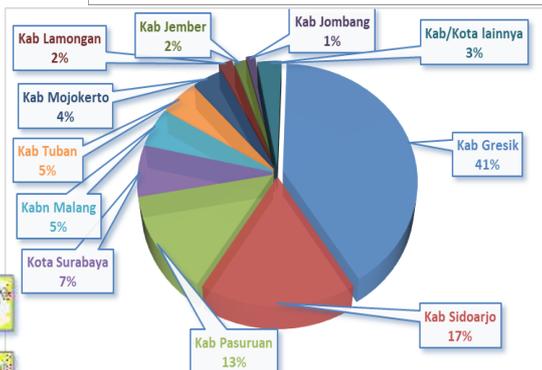
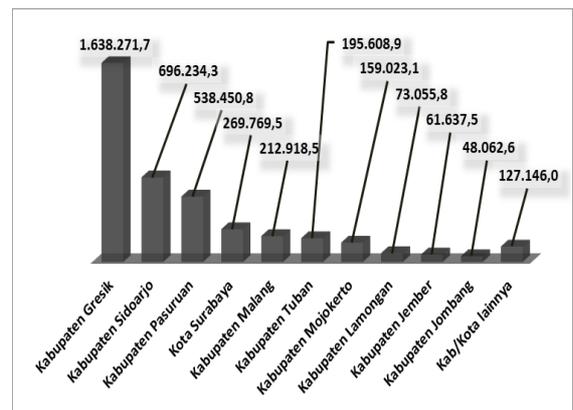
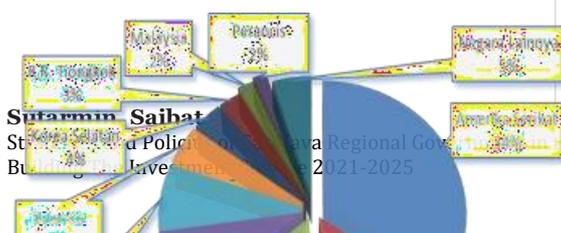


Figure 7: Distribution of Value and Percentage of FDI in East



Java Regencies/Cities 2021-2022

Based on figure 7, during the 2021-2022 period it shows the performance of FDI based on district/city area, ten districts/cities are Gresik Regency and is the largest district in East Java with a contribution of 41% of the total FDI in East Java or the investment value provided of 1,638,271.7 (thousand \$). Followed by Sidoarjo Regency with a contribution value of 17% of the total FDI in East Java or an investment value of 696,234.3(thousand\$). Third place is Pasuruan Regency with a contribution value of 13% of the total FDI in East Java or an investment value of 538,450.8 (thousand \$), Fourth place is the City of Surabaya with a contribution value of 7% of the total FDI in East Java or an investment value of 269,769.5(thousand \$), Fifth place is Malang Regency with a contribution value of 5% of the total PMA in East Java or an investment value of 212,918.5(thousand \$). The ten urban regencies, if sorted by the amount of foreign investment value, are Gresik Regency, Sidoarjo Regency, Pasuruan Regency, Surabaya City, Malang Regency, Tuban Regency, Mojokerto Regency, Lamongan Regency, Jember Regency, Jombang Regency.

Another regency/city which still has potential for FDI in East Java is

- a. Probolinggo Regency (Electricity, Gas and Water sector, other industrial sector, wood industry sector, food crop, plantation and livestock sector, fishery sector, food industry sector, trade and repair sector)
- b. Bondowoso Regency (Mining sector, Food Industry sector, Trade and Repair sector, Food Crops, Plantation and Livestock sector).
- c. Madiun Regency (potential sectors that need to be developed in Madiun Regency are Leather Goods and Footwear Industry, Food Industry, Food Crops, Plantation and

Livestock, Housing, Industrial and Office Areas, Transportation, Warehouses and Telecommunications);

- d. Situbondo Regency (Food Industry sector, Other Industry sector, Trade and Repair sector, Fisheries sector, Food Crops sector, Plantation and Livestock).

Plantation and Livestock sector, Food Industry sector, Trade and Repair sector).

4.2. Distribution of Domestic Investment in East Java Regencies/Cities 2021-2022

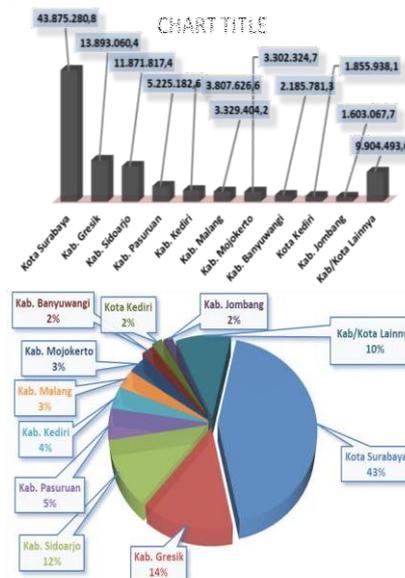


Figure 8: Distribution of PMDN by Regency/City of East Java 2021-2022

Based on figure 8, during the 2021-2022 period it shows PMDN performance in districts/cities, ten districts/cities are Surabaya City, which is the largest district in East Java with a contribution of 43% of the total PMDN in East Java or the investment value provided of 43,875,280.8 (Rp). Followed by Gresik Regency with a contribution value of 14% of the total PMDN in East Java or an investment value of 13,893,060.4 (Rp). Third place is Sidoarjo Regency with a contribution value of 12% of the total PMDN in East Java or an investment value of 11,871,817.4 (Rp), Fourth place is Pasuruan Regency with a contribution value of 5% of the total PMDN in East Java or investment value of 5,225,182.6 (Rp), Fifth place is Kediri Regency with a contribution value of 4% of the total PMDN in East Java or an investment value of 3,807,626.6 (Rp). The ten City Regencies, if sorted

by the amount of foreign investment value, are the City of Surabaya, Gresik Regency, Sidoarjo Regency, Kab. Pasuruan, Kab. Kediri, Malang Regency, Mojokerto Regency, Banyuwangi Regency, Kediri City, Kab. Jombang. Another City District that still has the potential for PMDN in East Java is

Industry sector, the Housing sector, Industrial and Office Areas, the Transportation, Warehouse and Telecommunications sector, the Trade and Repair sector, the Other Services sector, the Food Industry sector, the Mining sector, the Industrial sector Timber, forestry sector.

- b. Malang city. Several sectors that have the potential to be developed in Malang City: Trade and Repair sector, Food Industry sector, Hotel and Restaurant sector, Construction sector, Motor Vehicle Industry and Other Transportation Equipment sector, Transportation, Warehouse and Telecommunications, Housing sector, Industrial and Office Areas .
- c. Lamongan Regency. Several sectors that have the potential to be developed in Lamongan Regency: the timber industry sector, the non-metallic mineral industry sector, the basic metal industry sector, metal goods, non-machinery, the mining sector, the fisheries sector.
- d. Probolinggo Regency. Several sectors that have the potential to be developed in Probolinggo Regency: Construction sector, Transportation sector, Warehouse and Telecommunications, Transportation, Warehouse and Telecommunications sector, Food Industry sector, Food Industry sector, Wood Industry sector, Fishery sector.
- e. Ngawi Regency. Several sectors that have the potential to be developed in Ngawi Regency: the Food Industry sector, the Food Industry sector, the Trade and Repair sector, the Transportation, Warehouse and Telecommunications sector, the Non-Metal Mineral Industry sector.
- f. Lumajang District. Several sectors that have the potential to be developed in Lumajang Regency: the Timber Industry sector, the Housing sector, Industrial and Office Areas, the Fisheries sector, the Transportation sector, Warehouses and Telecommunications.

V. CONCLUSIONS AND RECOMMENDATIONS

Conclusion

5.1. Conclusion

- a. Ten orders of distribution of East Java Foreign Investment during 2021-2022 are Gresik Regency, Sidoarjo Regency, Pasuruan Regency, Surabaya City, Malang Regency, Tuban Regency, Mojokerto Regency, Lamongan Regency, Jember Regency, Jombang Regency.
- b. Ten in order of distribution of East Java Domestic Investment during 2021-2022 are the City of Surabaya, Gresik Regency, Sidoarjo Regency, Kab. Pasuruan, Kab. Kediri, Malang Regency, Mojokerto Regency, Banyuwangi Regency, Kediri City, Kab. Jombang.

5.2. Strategy & Policy Recommendations in Encouraging Diversity of Investment Distribution and Improving the East Java Investment Climate

5.2.1 Strategies and Policies Encouraging Spread of Investment:

- a. Improved coordination between the Central Government, Provincial Government and East Java District/City Government, this is to reduce legal uncertainty and encourage transparency, especially with regard to the interest of respecting business contracts.
- b. Designing an online-based market place that sells Investment Project Ready to Offer (IPRO) projects. This market place is designed for Indonesia as well as for East Java. This online-based market place will be an efficient and effective tool for selling investments in Indonesia in general and East Java in particular
- c. Inventory of policies at the Provincial, as well as Regency/City levels related to retribution, especially those that still conflict with higher regulations and are no longer in accordance with current conditions.
- d. Encouraging the creation of one-door Integrated Licensing Service institutions in Regencies/Cities in accordance with applicable rules. Especially for Regencies/Cities whose licensing service institutions

are not yet optimal. Licensing services with a one-stop integrated system (one-stop service) make the time for making permits shorter. With the existence of a one-door integrated service institution, all permits and non-licensing that are the authority of the Regency/City can be served in one institution.

- e. Encouraging the availability of quality SOPs at one-stop Integrated Licensing Service institutions in Regencies/Cities, and conducting periodic evaluations, especially those related to simplification of licensing processes and requirements.
- f. Encouraging the improvement of facilities and infrastructure of Licensing Service Institutions in accordance with the level of their needs. Especially with regard to the use of information technology. The reason is, with information technology-based administrative arrangements, data input is only done once, and administration can be done simultaneously.
- g. Expand the destination countries for investment promotion, especially outside the countries that currently dominate investment in East Java Province.

feasibility study of the investment development.

- 3. Encouraging investment in areas that have so far had minimal investment, such as the central and southern regions of East Java.
- 4. Encouraging the opening of new industrial areas, especially outside the Surabaya, Gresik, Sidoarjo and Mojokerto areas.
- 5. Initiate and revitalize industrial clusters that have and will emerge in East Java Province, such as the footwear industry cluster, the jewelry industry cluster, the shipping industry cluster, the sugar cane/sugar industry cluster, the food and beverage industry cluster, the oil and gas and condensate industry cluster.
- 6. In realizing the connectedness of inter-regional development, synergy and integration of intermodal transportation is required. In order to support regional development, it is necessary to increase access to potential areas and growth centers such as maritime and logistics areas, agro- industry, megapolitan, medium-sized city development, and tourism, which requires the support of good road infrastructure. good. In the construction and development of the south coast area, there are still obstacles to the incomplete construction of the East Java Southern Route (JLS) and the not yet optimal development of ports on the south coast and access to ports.

5.2.2 Strategies and Policies Encouraging Spread of Investment:

- 1. Encouraging investment into businesses that are less attractive to investors. These business fields include investment in the agricultural sector (on farm), mining, manufacturing industry, and infrastructure, especially related to connectivity.
- 2. Encouraging the availability of district/municipality regional potential maps accompanied by a pre-

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