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Investment Profile of Bangli Regency

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Abstract*—The success of regional development is expected to increase regional stability, equity, growth and economic development to enhance community welfare. To achieve this, an increased investment is needed, in economics and other sectors. This investment can come from the government or private sector. More specifically, the objectives of the development of Bangli Regency investment profile were: (1) identifying strategic business fields and commodities that were potential for Bangli Regency, (2) identifying potential business fields and commodities per district, to provide sufficient information to potential investors, as the first step to make them invest in Bangli Regency, and (3) identifying supporting factors and obstacles in the development of investment in Bangli Regency. The analytical methods used in this study were quantitative and qualitative analysis methods. The qualitative analysis was used to strengthen and complete the analysis, which was likely due to the lack of completeness of secondary data. The Bangli Regency Government needs to refer to Presidential Regulation Number 16 of 2012 concerning the General Investment Plan so that it is integral and consistent with general investment planning. There are seven investment policy directions in Bangli Regency, such as (1) improvement of investment climate; (2) distribution of investment; (3) concentration on food, infrastructure and energy development; (4) green investment; (5) empowerment of micro, small, medium enterprises and cooperatives; (6) provision of facilities, convenience and investment incentives; and (7) investment promotion.

***Keywords*: investment; bangli regency**

I. INTRODUCTION

With the enactment of Law No.22 of 1999 concerning Regional Government since January 2001, the regency or city has been given full autonomy and authority in regulating and managing the interests of the local community based on the initiatives and aspirations of the people. In addition, Law No. 25 of 1999 concerning Fiscal Balance between the Central and Regional Governments also emphasizes that to carry out regional autonomy, it is necessary to provide a portion of the financing, by taking into account all the potentials, conditions and needs of the region, in line with the obligation to share authority. The implication of the granting of authority is that the region should be able to utilize all the potential that exists in the region, so that the autonomy that is implemented can bring tangible results to the people of the region itself in the form of the improvement of the welfare.

Drastic changes happened as a result of the enactment of the two laws, from a centralized system to decentralized. Due to this changes, local governments are required to be able to explore and develop their economic potential independently. This potential development is expected to gradually reduce the range of income distribution between communities. The economic potential in a region has no meaning for the economic development, if there is no effort to utilize and develop the economic potential of the region optimally.

To realize the economic potential, the development of investment is very crucial. It is due to the reason that the development of the investment will affect the employment, increase national/regional income and improve the quality of human resources, which in turn will improve community welfare. Some efforts to utilize and develop the economic potential must be carried out by Bangli Regency Government. One of the initial steps that should be carried out is to make an investment opportunity analysis in the form of Investment Profile of Bangli Regency. Bangli Regency Investment Profile is expected to be able to provide detailed, reliable and accurate information about the real potential of the Bangli Regency to economic actors and investors.

II. LITERATURE REVIEW

A. Definition of Investment

Economic theory defines investment as government spending to buy capital goods and production equipment with the aim of replacing and especially adding capital goods that will be used to produce goods and services in the future. Investment is a component of GDP = C + I + G + (X-M). It is an investment for one or more assets that are owned usually for a long time in the purpose of getting profits in the future [1]. According to [2], investment involves adding capital stock or goods in a country, such as providing production equipment and inventory items within one year. Investment is a step to sacrifice consumption in the future. It is one of the important components in Gross National Product (GNP). It has an important role in aggregate demand. First, investment spending is more volatile than consumption expenditure, so investment fluctuations can cause a recession. Second, investment is very important for economic growth and improvement in labor productivity. Economic growth is very dependent on labor and the amount of capital stock [3]. Therefore, it can be concluded that investment is an expenditure that can be in the form of capital goods, buildings, capital equipment, and inventory items that are used to increase the ability to produce goods and services or to increase work productivity so that the produced output and available output can be increased.

B. Investment Theory

In a long term, investment growth leads to the increase of capital stock and the increase of productivity. In countries with

high unemployment rates, such as Indonesia, the unemployed workforce can be utilized as a source of capital formation.

1) Neo Classical Theory emphasizes the importance of savings as a source of investment. Investment is seen as one of the main drivers of economic growth and development. The faster the investment develops compared to the rate of population growth, the faster the average capital stock volume per labor develops. The higher the ratio of capital per labor is, the higher the production capacity per worker is. Neo Klasisk, Sollow and Swan focus their attention on how the population growth of capital accumulation, technological progress and output interact with each other in the process of economic growth [4].

2) Harrod-Domar's Theory. Harrod-Domar defends the opinion of previous economists which is a combination of the opinions of the classics and Keynes, who emphasize the role of capital growth in creating economic growth. In Harrod-Domar's theory, capital formation is considered as an expenditure that will increase the economic ability to produce goods and or services, as well as expenditures that will increase the effective demand of the whole community. If at a certain period several capital formation is carried out, in the next period the economy will have the ability to produce greater goods and or services [5].

C. Types of Investment

Investment arises due to increased demand. The source is the additional income called induced investment. Private investment funds, by its origin consisted of two types: foreign investment, the type of investment the source of which comes from foreign party, and Domestic Direct Investment (DDI), a type of investment the source of which comes from domestic party. Foreign investment is appropriate to increase the amount of capital for economic development sourced from foreign party. Reference [6] explains that foreign investment consists of:

1) Portfolio investment, which is investment that involves only financial assets, such as bonds and stock, which are denominated or valued in national currency. These portfolio or financial investment activities usually take place through financial institutions such as banks, investment fund companies, pension foundations, and so on.

2) Foreign Direct Investment (FDI), which is a foreign investment that includes investment into tangible assets in the form of construction of factories, procurement of various types of capital goods, purchase of land for production purposes, and so on. Reference [7] argues that foreign direct investment can be considered as an important source of capital for economic development. All countries that adopt an open economic system generally require foreign investment, especially companies that produce goods and services for export. In developed countries such as America, foreign capital (especially from Japan and Western Europe) is still needed to spur growth in the domestic economy, avoid market downturns and create job opportunities. Meanwhile, in developing countries such as Indonesia, foreign capital is needed especially due to insufficient domestic capital. For this reason, various policies about investment need to be created to attract foreign parties to invest in Indonesia.

D. Gross Regional Domestic Product (GRDP)

Gross regional domestic products at current market prices reflect the added value of goods and services calculated by using prices on an annual basis, while gross regional domestic products at constant market prices indicate the added value of goods and services calculated by using prices in a certain year as a basis. Gross regional domestic product at current market prices is used to see economic shifts and structure while gross regional domestic product at constant basis is used to determine the economic growth from year to year. GRDP values with constant or real prices are important because they can reflect actual output or production growth. Nominal GRDP does not reflect actual output growth when there is a general change in the price level. Economists calculate the amount of Gross Regional Domestic Product with several approaches [8] as follows.

1) According to the production approach, the approach of production is to calculate the added value of goods and services produced by all economic activities by reducing the output of each sector or sub-sector. This approach is usually called the value added approach. Added value is the value added to goods and services produced by the production unit in the production process from intermediate input used to produce these goods and services. The added value is the same as the factor of production for taking part in the production process.

2) According to income approach, the added value of an economic activity is calculated by adding up all the remuneration for factors of production, namely wages and salaries, business surplus, depreciation and net indirect taxes. For the government sector and businesses that are not looking for profit, the business surplus is not counted. Business surpluses include interest, land rent, and profits. This income approach method is widely used in the sectors produces service such as government.

3) According to the expenditure approach, approach in terms of supply starts from the use of goods and services in the domestic area. So, GRDP is calculated by calculating the various final expenditure components that make it up. In general, the expenditure approach can be carried out in two ways, namely the supply approach method (consisting of the flow of goods and retail sales) and the revenue approach (consisting of household income and expenditure surveillance approach, budget data method, balance sheet method and foreign trade statistical method). These methods are intended to estimate the components of final demand such as: household consumption, consumption of non-profit

private institutions, government consumption, gross capital formation and trade between regions (including exports and imports).

III. RESEARCH METHOD

The analytical methods used in this study were quantitative and qualitative analysis methods. In this case, the qualitative analysis was used to strengthen and complete the analysis, which was likely due to lack of secondary data completeness. The analytical tools used in this study were as follows.

1) Williamson Index
Williamson Index was used to determine the level of inequality of per capita income between regions. The greater value of the Williamson Index (close to number 1) leads to the greater level of income inequality between regions. On the contrary, the smaller the Williamsons Index figure (the closer it is to 0) is, the smaller the level of income inequality is. The Williamsons Index formula is as follows [9].

2) Location Quontient Analysis (LQ)
LQ analysis aimed to find out the business field or potential owned by each region so that the business can be developed. If the LQ coefficient of a business field is ≥ 1, it means that the region has relative potential in that business field (including base business). If the LQ coefficient of a business field is <1, it means that the region/area has less relative potential in the business field. In other words, the business field is not a base business. The LQ formula is [10] as follows.

3) Shift Share
Shift Share analysis aimed to find out which business field was growing rapidly in an area/region. The formula is as follows [11]:

$$
\begin{aligned}
Gj &= Ejt - Ejo \\
&= (Nj + Pj + Dj) \\
Nj &= Ejo\,(Et/Eo)Ejo \\
(P + D)J &= Ejt - (Et/Eo)Ejo \\
&= (Gj - Nj) \\
Pj &= \sum [(Eit/Eio) - (Et/Eo)]Eijo \\
Dj &= \sum [Eit - (Eit/Eio)Eijo]
\end{aligned}
$$

4) SWOT Analysis
This analysis was conducted to obtain qualitative matters and to support internal and external factors of the institution including local regulations.

IV. RESULTS AND CONCLUSIONS

A. Investment Concept of Bangli Regency

Based on current condition, problems, challenges and strategic issues faced by Bangli Regency and by considering strategic factors, the potential of natural resources and human resources, stakeholders, and the regional government, it was found that investment activities are basically closely related to aspects of macroeconomic policy, social and political aspects as well as business aspects. In addition, the activities and their effects can be local, regional and international scales. The limited ability of government funds to finance government and development activities, opens opportunities for investment as a base capital and as a motor for regional development. This is needed not only to encourage the economic activity in the upstream and downstream sectors, but it is also expected primarily to expand and create employment to overcome unemployment. Investment activities are an early stage of a strategic development process, but it is crucial in terms of the benefits. It is considered strategic, because it has to manage development resources to build production assets in order to produce goods and services for domestic and export needs. It is considered crucial because it requires visionary competence to predict the market demand. If it is not on target, it will be a waste of national resources. Therefore, coordination, synchronization and synergy of the roles and activities of the government, business world and other communities are needed in managing investment activities to develop Bangli Regency sustainably.

To realize these objectives, it is necessary to set strategic goals. The strategic objectives of Bangli Regency investment profile are creating a conducive investment climate and increasing adequate infrastructure, accompanied by promotion of selective and integrated investment potentials and opportunities. In addition, there is also a need to facilitate cooperation between regencies/cities, and facilitate the resolution of investment problems through monitoring and reporting as well as enhancing environmentally friendly companies, to support the sustainability of the resources in Bangli Regency. This is intended to meet the production of goods and services for the needs of the domestic and export markets, the creation of more employment and business opportunities for Bangli people, the realization of simplified investment licensing services, and the fulfillment of regional investment needs responsibly and sustainably.

E. Direction of Investment Policy of Bangli Regency

The direction of investment policy of Bangli Regency must be in accordance with the National General Investment Plan stipulated in the Regulation of the Head of the Indonesian Investment Coordinating Board Number 9 of 2012 concerning Guidelines for the Preparation of the Regency General Investment Plan. In addition, the policy direction must support the Bangli Regency long-term development plan.

The policy direction drawn up in this document basically seeks to strengthen the vision to improve the quantity and quality of investment coming to Bangli Regency. The aim of the policy is to create a strong and sturdy economic structure, in the form of a balance between economic sectors based on non-renewable natural resources and those that are renewable, as well as the balance between tradeable and non-tradable sectors. It also leads to the balance of economic, environmental and social pillars for the realization of development based on the principles of a green economy. The policy direction also considers issues that have already occurred and that will potentially occur in the dynamics of regional development of

Bangli Regency.

In formulating the strategy for developing Bangli Regency Regional Investment General Plan, careful internal and external environmental analysis is required. The analysis results are outlined in the form of a SWOT analysis.

TABLE I. INTERNAL STRATEGIC FACTORS

Internal Strategic Factors
Strengths (S) a. Clarity of the Grand Long-Term Vision Strategy of Bangli Regency b. Availability of land and superior commodities c. A conducive security situation d. Regional Superiority e. The existence of legal pro-investment regulations f. Adequate institutional readiness for investment g. Readiness of government apparatus competence **Weaknesses (W)** a. Comparative regional superiority b. Infrastructure which is not evenly distributed and optimal c. Uneven investment d. Limited skilled workers e. Standardization of services in the region.

TABLE II. EXTERNAL STRATEGIC FACTORS

External Strategic Factors
Opportunities (O) a. Regional Development Agreement b. Regulation on the Acceleration of Development c. Environmentally Friendly Development d. Renewable Energy Development **Threats (T)** a. Environmental degradation b. Natural disasters c. Increased regional competitiveness outside Bangli Regency d. Increased competitiveness of neighboring countries.

Based on the SWOT matrix analysis, the condition of regional investment in Bangli Regency is in the position of Growth and Stability. This means that internally the factors that give positive signals or constitute the strength of regional investment in accumulation are relatively big. Likewise, the external factors that support investment activities in Bangli Regency are also relatively big. This means that the factors that give signals or show the strength of local investment conditions indicate a positive or greater value when compared to the weakening factors. Likewise, the factors that provide opportunities for investment development in Bangli Regency also show a positive or greater value compared to the factors that threaten the sustainability of investment. Therefore, the right strategy to be applied in the development of investment in Bangli Regency is aggressive.

For this reason, it is necessary to develop a direction and strategy involving various relevant parties. In addition, in accordance with the mandate of Law Number 25 of 2007 concerning investment, the government has committed to develop investment strategies and policies in Indonesia based

on the principles of legal certainty, openness, accountability, equal treatment and does not differentiate country of origin, togetherness, efficiency and fairness, sustainability and environmental insight, independence, and balance between progress and national economic unity.

These principles become the investment development policy in Bangli Regency which focuses on five strategic objectives.

TABLE III. STRATEGIC INVESTMENT TARGETS OF BANGLI REGENCY

Strategic Targets	Goals
Providing easier and faster service in issuing permits for all business sectors in accordance with applicable rules and regulations.	Increasing national economic growth
Encouraging the development of regional superior commodities by providing information on regional superior potentials to become superior products that have high added value	Creating jobs; Promoting sustainable economic development; Improving the competitiveness of the national business world
Promoting democratic-based economic growth	Improving community welfare; Increasing the capacity and capability of national technology; Encouraging the development of democratic economy
Encouraging growth in employment oriented to food security products	Creating jobs; Increasing sustainable economic development
Encouraging investment realization of foreign direct investment and domestic investment	Cultivating the potential economy to become a real economic power by using funds from both domestic and foreign sources

Based on the aforementioned considerations, Bangli Regency Government needs to refer to the General Investment Plan. Therefore, the integration and consistency in the direction of investment planning of Bangli Regency government can be in accordance with Presidential Regulation Number 16 of 2012 concerning General Investment Plan. Based on the considerations, Bangli Regency proposed seven directions of investment policy as follows.

1) Investment Climate Improvement;
2) Distribution of Investment;
3) Focus on Food, Infrastructure and Energy Development;
4) Green Investment (Green Investment);
5) Empowerment of Micro, Small, Medium Enterprises and Cooperatives (UMKMK);
6) Provision of Facilities, Facilities and Investment Incentives; and
7) Investment Promotion.

V. CONCLUSION

The success of regional development is expected to increase regional stability, equity, growth and economic development to enhance community welfare. To achieve this, an increased investment is needed, in economics and other sectors. This investment can come from the government or private sector.

The Bangli Regency Government needs to refer to Presidential Regulation Number 16 of 2012 concerning the General Investment Plan so that it is integral and consistent with general investment planning. There are seven investment policy directions in Bangli Regency, such as (1) improvement of investment climate; (2) distribution of investment; (3) concentration on food, infrastructure and energy development; (4) green investment; (5) empowerment of micro, small, medium enterprises and cooperatives; (6) provision of facilities, convenience and investment incentives; and (7) investment promotion.

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