

Conference Paper

Potential, Prospect and Investment Policies in Surabaya City

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Abstract

Development planning covers all aspects including investment. To process potential economic potential to become real one of the most important means is the development of investment because with the development of investment will encourage employment, increase national/regional income and increase the quality of human resources which will ultimately create public welfare. Potency. Realization of investment during the period 2011-2017 in the city of Surabaya was relatively volatile with an upward trend, the realization always exceeded the target that had been set, namely with the achievement of 109.60%. Based on the results of the study, of the 17 (seventeen) sectors in the GRDP which are the potential sectors of investment in the City of Surabaya are the Industry and Trade and Repair sectors; as well as hotels and restaurants. The potential realization is based on the realization of the number of projects, the amount of employment and the amount of PMA and PMDN investments in the sector. While policies that can be applied in order to improve the investment climate in Surabaya are bureaucratic efficiency and corruption prevention; infrastructure improvement; tax and retribution policy; expansion of access to finance; and increasing domestic and foreign investment cooperation and promotion.

Keywords: Superior investment potential, type of investments

INTRODUCTION

Development Planning system. In general, this development planning covers all aspects not least in the field of investment. To process potential economic potential to become real one of the most important means is the development of investment because with the development of investment will encourage some effects ranging from employment, increasing national/regional income and improving the quality of human resources which will ultimately create public welfare. The success of regional development is expected to improve stability, equity, growth, and regional economic development in an effort to realize community welfare. To achieve this, an increase in investment is needed; both in economics and in other fields.

With all the potential, facilities and regional resources that it has, the growth and development of investment activities in the city of Surabaya are very wide open. However, reality shows that this city has not been able to maintain economic growth at a level that continues to grow. One of the efforts in providing an overview of investment opportunities in the city of Surabaya is to provide information about what is available in the city of Surabaya, both infrastructure, facilities and investment support policies.

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Literature Review

Research on the potential and investment prospects with a variety of measurement methods has been carried out in various regions in Indonesia concluding that factors forming investment attractiveness are institutional, physical infrastructure, and socio-political factors. While research that concludes the potential and prospects of investments has also been widely carried out, covering Sectoral investments including Potential Classification, namely: Industry and trade sector; sectoral prospects to be developed are: Agriculture sector and industrial sector sectoral investment opportunities and potential, namely: agriculture, livestock, tourism, and infrastructure sectors.

Other research, preparation of regional investment potential and opportunity maps. Investment Coordinating Board (BKPM, 2017). This study concludes that: 1) The potential for leading investment in the study areas is based on other aspects of the potential of natural resources that are also available on other aspects of economic potential such as the availability of regulations that support investment, accessibility, sectoral economic interaction; and 2) Business opportunities analyzed in determining the investment that will be offered to investors are based on 9 aspects of consideration, namely a) aspects of availability of raw materials, b) aspects of competent human resources, c) aspects of availability of facilities and infrastructure, d) aspects of the market both short and long term, (5) aspects of domestic and foreign markets, (6) aspects of involvement of SME stakeholders and large entrepreneurs, e) aspects of compliance with the roles of regulations and legislation in force, f) environmental aspects, and g) aspects the availability and status of land ownership.

According to (Becker, 2004) Investment is the result of investment costs determined by interest rate and tax policies, as well as expectations about the future. The determinants of investment depend heavily on future situations that are difficult to predict, so investment is the most volatile component. Several factors that affect investment in a country's economy include 1) the effect of exchange rates; 2) Effect of Interest Rate; 3) Effect of Inflation Rate; 4) Influence of Infrastructure, and 5) Government expenditure.

In simple terms, inflation is defined as increasing prices in general and continuously. The price increase of just one or two items cannot be called inflation unless the increase extends (or results in a price increase) in other goods. Inflation is the process of increasing general prices of goods continuously over a certain period, while according to (Samuelson & Nordhaus, 1996) inflation is expressed as a price increase in general and continuously in a certain period.

METHODS

Research Approach

Potential Analysis Preparation, Investment prospects, and policies In this city of Surabaya will use two basic research designs, namely: 1) Exploratory Research aims to make researchers more familiar with the research environment by exploring theories based on available data; 2) Descriptive Research understands and explains what types of investments can be implemented or invested in the city of Surabaya.

RESULT AND DISCUSSION

General Description of Investment in Surabaya City

The results of the analysis related to the general picture of investment in the city of Surabaya will be described as follows: 1) The development of the realization of the investment value of both PMA and PMDN in the City of Surabaya during the 2017 Quarter I to 2018 Quarter II shows a fluctuating trend. In 2017 when Quarter I the investment value of both PMA and PMDN reached Rp. 12,797,270,155,655.70. Then during Quarter II, the realization of investment reached Rp. 51,971,147,459,783.00. Realization of investment in the third quarter reached

Rp. 26,104,383,526,434.80 and Quarter IV reached Rp. 18,723,520,349,786.00. In 2018 when Quarter I again experienced an increase, the value of investment realization reached Rp. 19,532,994,541.60. However, in the second quarter, there was a significant decrease in investment value to Rp. 6,445,861,897,640.86. 2) The realization of the number of investment projects for both PMA and PMDN Surabaya City during 2017 Quarter I through 2018 Quarter II shows a trend that tends to decline. At the time of Quarter I the number of projects that realized investment activities amounted to 218 projects. In Quarter II the realization of the project amounted to 387 projects. Then in Quarter III, the realization of the project amounted to 184 projects. In Quarter IV the realization of the number of investment projects reached 183 projects. Whereas in 2018 Quarter I, the realization of the project amounted to 162 projects and in the second quarter amounted to 118 projects. 3) Based on the realization of employment, the development of absorption is quite volatile during the 2017 Quarter I to 2018 Quarter II. At the time of Quarter I the realization of employment reached 11,674 workers consisting of Indonesia totaling 11,601 workers and 73 workers from outside Indonesia. During Quarter II the realization of employment reached 12,039 workers consisting of Indonesia amounting to 11,958 workers and 81 workers from outside Indonesia. In the third quarter, the realization of employment reached 3,225 workers, consisting of workers consisting of Indonesia reaching 3,225 workers and as many as 26 foreign workers. In Quarter IV the realization of employment reached 2,390 workers consisting of 2,372 workers from Indonesia and 18 workers from outside Indonesia (foreign). For the realization of employment in 2018, Quarter I reached 1,098 workers, consisting of 1,082 Indonesian workers and 16 foreign workers. Whereas in the second quarter, the realization of labor absorption amounted to 626 workers consisting of Indonesian workers amounting to 623 workers and foreign workers as many as 3 workers.

Tabel 1. Development of manpower absorption realization in investment activities for 2017-2018 quarter II

Year	Period	PMA		PMDN		PMA+PMDN		TOTAL
		Indonesia	Foreigner	Indonesia	Foreigner	Indonesia	Foreigner	
2017	Q I	3147	71	8454	2	11601	73	11674
	Q II	5326	73	6632	8	11958	81	12039
	Q III	536	26	2689	-	3225	26	3251
	Q IV	1348	18	1024	-	2372	18	2390
2018	Q I	372	15	710	1	1082	16	1098
	Q II	174	3	459	-	623	3	626

Source: DPM-PTSP Surabaya City, 2018

1) Based on the distribution of investment, the realization of the number of FDI investment projects during 2017 Quarter II to 2018 Quarter II in the Surabaya City area tends to fluctuate. In Quarter I the realization of the number of PMA projects in 1) West Surabaya was 61 projects; 2) East Surabaya with 22 projects; 3) Central Surabaya is 12 projects; 4) South Surabaya with 25 projects; 5) North Surabaya with 7 projects. In Quarter II the realization of the number of FDI projects in 1) West Surabaya was 26 projects; 2) East Surabaya for 37 projects; 3) Central Surabaya for 27 projects; 4) South Surabaya with 23 projects; 5) North Surabaya with 20 projects. In Quarter III the realization of the number of FDI projects in 1) West Surabaya was 53 projects; 2) East Surabaya for 18 projects; 3) Central Surabaya for 27 projects; 4) South Surabaya with 27 projects; 5) North Surabaya with 131 projects. In Quarter IV the realization of the number of PMA projects in 1) West Surabaya was 34 projects; 2) East Surabaya for 34 projects; 3) Central Surabaya is 17 projects; 4) South Surabaya with 23 projects; 5) North Surabaya with 2 projects. In 2018 Quarter I, the realization of PMA projects in 1) West Surabaya amounted to 24 projects; 2) East Surabaya as big as East Surabaya with 25 projects; 3) Central Surabaya for 18 projects; 4) South Surabaya with 28 projects; 5) North Surabaya with 7 projects. Whereas in Quarter II, the realization of PMA projects in 1) West Surabaya amounted to 25

projects; 2) East Surabaya as big as East Surabaya with 16 projects; 3) Central Surabaya is 13 projects; 4) South Surabaya with 22 projects; 5) North Surabaya with 3 projects.

Tabel 2. Distribution of investment in the realization of the number of foreign investment projects in 2017-2018 quarter II

Year	Period	Area				
		West Surabaya	East Surabaya	Central Surabaya	South Surabaya	North Surabaya
2017	Q I	61	22	12	25	7
	Q II	26	37	27	23	20
	Q III	53	18	27	27	131
	Q IV	34	34	17	23	2
2018	Q I	24	25	18	28	7
	Q II	25	16	13	22	3

1) Based on the distribution of capital investment, the realization of the number of domestic investment projects during the 2017 Quarter I to 2018 Quarter II in the Surabaya City area tends to fluctuate. In Quarter I the realization of the number of domestic investment projects in 1) West Surabaya was 15 projects; 2) East Surabaya with 33 projects; 3) Central Surabaya is 12 projects; 4) South Surabaya with 23 projects; 5) North Surabaya with 7 projects. In Quarter II the realization of the number of domestic investment projects in 1) West Surabaya was 26 projects; 2) East Surabaya for 37 projects; 3) Central Surabaya for 27 projects; 4) South Surabaya with 23 projects; 5) North Surabaya with 20 projects. In Quarter III the realization of the number of domestic investment projects in 1) West Surabaya was 14 projects; 2) East Surabaya for 10 projects; 3) Central Surabaya for 6 projects; 4) South Surabaya with 14 projects; 5) North Surabaya with 9 projects. In Quarter IV the realization of the number of domestic investment projects in 1) West Surabaya amounted to 15 projects; 2) East Surabaya for 5 projects; 3) Central Surabaya with 10 projects; 4) South Surabaya with 23 projects; 5) North Surabaya with 3 projects. In 2018 in Quarter I, the realization of the number of domestic investment projects in 1) West Surabaya amounted to 17 projects; 2) East Surabaya for 11 projects; 3) Central Surabaya for 5 projects; 4) South Surabaya with 19 projects; 5) North Surabaya with 8 projects. In Quarter II, the realization of the number of domestic investment projects in 1) West Surabaya was 14 projects; 2) East Surabaya for 6 projects; 3) Central Surabaya is 2 projects; 4) South Surabaya with 12 projects; 5) North Surabaya for 4 projects.

Tabel 3. Investment Distribution Development of Realization of the Number of Domestic Investment Projects in 2017-2018 Quarter II

Year	Period	Area				
		West Surabaya	East Surabaya	Central Surabaya	South Surabaya	North Surabaya
2017	Q I	15	33	13	23	7
	Q II	26	37	27	23	20
	Q III	14	10	6	14	9
	Q IV	15	5	5	10	3
2018	Q I	17	11	5	19	8
	Q II	14	6	2	12	4

Source: DPM-PTSP Surabaya City, 2018

Investment Realization Potential Investment realization during the period 2011-2017 was relatively volatile with an increasing trend. Increased realization of this investment, in general can still be further enhanced along with the stability of economic conditions in the city of Surabaya amid the sluggish national and global economy as seen in table 4.

Tabel 4. Target Comparison Ratio and Investment Realization

Year	Investment		Achievement %
	Target Rp	Realization Rp	Target → Realization Rp
2011	13.284.000.000.000	24.169.493.406.418	181,94%
2012	14.760.000.000.000	32.142.361.788.134	217,77%
2013	16.400.000.000.000	22.129.765.567.753	134,94%
2014	18.010.000.000.000	35.275.422.119.578	195,87%
2015	19.810.000.000.000	32.065.531.546.015	161,87%
2016	20.998.600.000.000	39.687.765.731.008	189,00%
2017	41.672.154.017.558	45.673.985.430.030	109,60%

Source: Bappeko. 2018* Tentative Data

The potential for investment realization can be measured, one of them is the growth of the GRDP sectoral and the sectoral role of the total GRDP. Based on the data obtained from BPS Kota Surabaya (2018) it is known that the sector that has high growth in 2017 is among others Government Administration, Defense and social security (7.28%), followed by other service sectors (7.00 %), information and communication (6.53%) and the provision of accommodation and food drinks (6.52%) and Wholesale and Retail Trade; Car and Motorcycle Repair (6.24%) as shown in Figure 5.9 below. Based on the 17 (seventeen) sectors in the GRDP, the total ADHK GRDP in 2017 amounted to Rp. 364,619,859.76 million. Wholesale and Retail Trade Sector; Car and Motorcycle Repair is the sector with the highest ADHK GRDP in Surabaya. ADHK GRDP in this sector has increased compared to the previous year. The realization of the trade sector ADHK value in 2017 amounted to Rp 103,525,069.29 The sector with the second highest ADHK GRDP contribution was the manufacturing industry sector which also experienced an increase in the ADHK GRDP value reaching Rp 70,632,660.16. Based on the realization of the investment value of both PMA and PMDN, the industrial sector is the most realized investment value in 2017. While in 2018 the first quarter of the tertiary sector (the transportation, warehouse, and communication sector is the sector with the most investment realization. While for the second quarter, the sector industry is a sector that has the highest amount of investment value. Based on the number of projects in 2017, it shows a trend that tends to fluctuate in each sector in the realization of FDI and domestic investment, but the largest number of projects still comes from the industry and trade and reparations sectors. Whereas in 2018 in Quarter I and II, the largest number of projects came from the industrial sector and sectors as well as the hotel and restaurant sector. The number of Manpower Absorption in 2017 in each sector in the realization of FDI and Domestic Investment tends to fluctuate, but in the Trade and Reparations sector and Warehouse Transportation and Communication, it tends to increase and dominate each sector. In 2018 Quarter I, the Trade and reparation sector is a sector that is able to absorb the most labor compared to other sectors. Whereas in quarter II, the hotel and restaurant sector was the sector that was able to absorb the most labor compared to other sectors. Potential investment realization comes from the Industry and Trade sector and Reparations; as well as hotels and restaurants. The potential realization is based on the realization of the number of projects, the amount of employment and the amount of PMA and PMDN investments in the sector.

Surabaya City Investment Policy In accordance with the obstacles, problems, potential and investment contribution of Surabaya City, various investment policy strategies in Surabaya City can be formulated in an effort to improve the investment climate of Surabaya City into five main areas. The five main things are short-term policies and strategies so that they can be implemented quickly and accurately by the Surabaya City Government. The five investment strategies are bureaucratic efficiency and corruption prevention; infrastructure improvement; tax and retribution policy; expansion of access to finance; and increased investment and investment promotion both domestically and abroad.

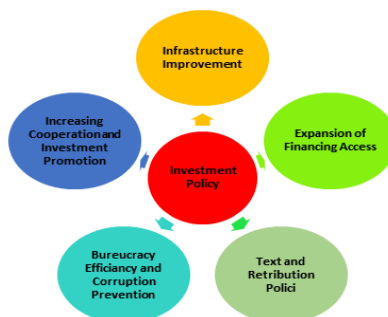


Figure 1. Illustration of investment policy in Surabaya city

CONCLUSION

1. Realization of investment in the city of Surabaya is quite good where, the realization always exceeds the target that has been set, namely with the achievement of 109.60%.
2. The number of Manpower Absorption in 2018 Quarter I, the Trade and reparation sector is a sector that is able to absorb the most labor compared to other sectors. Whereas in quarter II, the hotel and restaurant sector was the sector that was able to absorb the most labor compared to other sectors.
3. Potential investment realization comes from the Industry and Trade sector and Reparations; as well as hotels and restaurants. The potential realization is based on the realization of the number of projects, the amount of employment and the amount of PMA and PMDN investments in the sector.
4. The policies outlined in the investment strategy are bureaucratic efficiency and corruption prevention; infrastructure improvement; tax and retribution policy; expansion of access to finance; and increasing domestic and foreign investment cooperation and promotion.

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