



Application of E-Government System As An Effort to Create A Conducive Investment Climate in Banyuwangi Regency

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ABSTRACT

One of the efforts made by the government to increase development is by developing the field of investment, because economically investment is the first step in production activities. In this regard, to create a realization of sustainable investment, a conducive investment climate is needed. A conducive investment climate in the economy is a hope for the community, investors, business people and the government. This study aims to analyze and explain the strategies of the Banyuwangi Regency Government as an effort to create a Conducive Investment Climate that is useful for regional development. This research was conducted using qualitative methods with a case study approach. Data collection techniques that will be used in this study include interviews, focus group discussions, documentation and literature studies. The results showed that BanyuwangiRegency implemented regulations on investment by implementing several e-Government applications that had the function of transparency, accountability, and facilitating public services related to investment. E-government leads to good governance because government services are more transparent, effective and efficient so as to form public trust which has an impact on increasing investment interest by investors. The increase in investment was also caused by policies or regulations that favored the creation of a conducive investment climate.

Keywords:

E-Government, Investment,
Banyuwangi Regency.

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INTRODUCTION

Investment development is one indicator of the progress of economic growth in Indonesia where investments carried out appropriately can support the improvement of the welfare of the Indonesian people. The challenges of implementing investment in Indonesia today, one of which is the implementation of regional autonomy in Indonesia. Since 1999 the era of regional autonomy in Indonesia began, which was marked by the enactment of Law Number 22 of 1999 concerning Regional Government.

Basically, every investment will contribute greatly to the economic growth of a country, because investment will encourage the development of overall economic activity (Sihombing, 2009). In this regard, investment must become part of the operation of the national economy and be placed as an effort to increase sustainable economic development, increase national technological capacity and capability, encourage democratic economic development, and realize the welfare of the community in a competitive economic system.

Talking about the investment climate is inseparable from the competitiveness that results from an economic activity. For this reason, the government has made many legal protections in the field of investment including Law No. 1 of 1967 jo. Act Number 11 of 1970 concerning Foreign Investment, Act Number 6 of 1968 jo. Law Number 12 of 1970 concerning Domestic Investment, was later replaced by Law Number 25 of 2007 concerning Investment. One of the efforts to encourage the creation of a conducive national business climate for investment to strengthen the competitiveness of the national economy and accelerate the increase in investment, the government established a basic investment policy as explained in the explanation of Article 4 Paragraph 2 of Law

Number 25 Of 2007, namely: a. Providing equal treatment for domestic investors and foreign investors while still prioritizing national interests; b. Ensuring legal certainty, business certainty and business security for investors from the licensing process until the end of investment activities in accordance with the provisions of the prevailing regulations; c. Offering opportunities for development and provide protection to micro, small, medium and cooperative businesses.

To implement the investment policy, in Paragraph 5 of the General Explanation of Law Number 25 Of 2007 it is explained that the Government must carry out the coordination described as follows:

"... This law instructs the government to increase coordination between government agencies, between government agencies and Bank Indonesia, and between government agencies and regional governments. Coordination with regional governments must be in line with the spirit of regional autonomy. Regional governments together with agencies or institutions, both private and government, must be more empowered, both in developing regional potential opportunities and in coordinating investment promotion and services. The regional government carries out as much autonomy as possible to regulate and manage its own investment management affairs based on the principle of regional autonomy and the task of assistance or deconcentration. Therefore, the improvement in institutional coordination must be measured by the speed of licensing and investment facilities at a competitive cost ... "

As an effort to carry out coordination between the central government and regional governments regarding the provision of facilities to investors, the government has issued Government Regulation Number 45 of 2008 concerning Guidelines for Providing Incentives and

Providing Ease of Investment in Regions, as a basis for making a legal regulation in order to increase investment in the area. Regions are given the authority to make legal regulations in order to attract investors to increase investment in their regions.

Base on this authorization, several regions have issued regulations regarding investment in their regions, one of which is Banyuwangi Regency. The Banyuwangi Regency Government has issued Regional Regulation No. 2 of 2015 concerning the Provision of Incentives and Provision of Investment Ease. In Article 2 of the Regional Regulation, it is explained that the purpose of granting incentives and facilitating investment is to attract and stimulate the interest of investors to make investments in order to create access and economic capacity and increase economic growth. This regulation has an important role in influencing the attractiveness of investors who will invest their capital in Banyuwangi.

On the other hand, before the Government Regulation was authorized, a conducive investment climate began to be created in 2011 with the Banyuwangi local policy on e-government. The policy is based on Law No. 14 of 2008 concerning Openness of Public Information, which is the forerunner to an increase in investment that occurred in Banyuwangi Regency. Banyuwangi Regency Government improves coordination between local government agencies by utilizing Information and Communication Technology (ICT) in the administration of its government. The network between Regional Apparatus Organizations (*OPD*) is strengthened by digitizing data and digital services to the public. The process of applying ICTs in public services also attracts collaboration with other agencies or institutions, both *BUMD*, *BUMN* and the private sector (banyuwangikab.go.id, 2017).

By implementing ICT, the country can form a good image in the investment environment because it can be easily accessed by investors. According to Abraham A. Azubuike, there are five reasons why e-government can help potential investors in making decisions before investing, including (Azubuike, 2006): 1. Opening investor insight related to the environment (target) including the economy; 2. Influence knowledge about regulations and administration in the business environment to eliminate uncertainties about possible changes to the regulations and administration in the business environment; 3. Increased accountability with transaction transparency involving government and non-government officials; 4. Contribute to creating a good image of the country or region and influencing investor perceptions; and 5. Contribute in data and perspectives on the implementation and management of investment projects.

The presence of investment in the Banyuwangi Regency at this time besides being able to provide benefits for investors, is also expected to occur technological transformation and managerial skills that can build an entrepreneurial spirit to the community. so that at certain times and times the Banyuwangi community in general can manage its resources independently and sustainably through the next generation. Banyuwangi is one of the districts that are actively undertaking regional development. The rate of economic growth in Banyuwangi Regency in 2019 is higher than the average economic growth in East Java. Data from the Central Statistics Agency showed an average growth of 5.89%, while in East Java it was 5.64%. This growth came in line with the incessant investment promotion for the tourism industry carried out by the Banyuwangi Regency Government (banyuwangikab.go.id, 2019)

Investment is one of the factors of production that has a driving force and a strong leverage in encouraging macro-economic growth. Investment activities are able to accumulate capital and increase productivity. Investment can increase output and increase input demand. Development in the economic sector through investment activities has a great effect in driving regional economic growth.

The purpose of this study is to analyze and explain the strategy of the Banyuwangi Regency Government in an effort to create a conducive investment climate that is useful for regional development. In addition, researchers want to show how the relationship between policies made by local governments can affect the investment climate in the area.

The term investment comes from the word invest which means to plant, invest or invest money (Halim, 2003). Based on Article 25 Paragraph (4) of Law Number 25 Of 2007, the definition of investment is all forms of investment activities, both by domestic investors and foreign investors to do business in the territory of the Republic of Indonesia. The explanation in the article emphasizes the focal point for its activities, namely investing. Investment activities can be carried out both by foreign parties and domestic parties (Salim HS & Sutrisno, 2008). Investment can be in the form of individuals or legal entities originating from within the country. Meanwhile, foreign investors can only invest their capital in Indonesia if it is a legal entity. The meaning of own capital is assets in the form of money or other forms that are not money owned by investors who have economic value (C.S.T Kansil, 2008).

According to Jogiyanto, investment can be defined as a delay in current consumption to be used in efficient production over a certain period of time (Jogiyanto, 2003). Meanwhile, according to Sadono Sukirno, investment

activities carried out continuously to increase economic activity and employment opportunities, increase national income and improve the level of prosperity of the community. This role is sourced from three important functions of investment activities, namely (1) investment is one component of aggregate expenditure, so that an increase in investment will increase aggregate demand, national income and employment opportunities; (2) the increase in capital goods as a result of investment will increase production capacity; (3) investment is always followed by technological developments (Nizar et al., 2013).

Investment is very important in the midst of government limitations in financing all types of development needs, in order to stimulate the participation of the private sector to succeed the development program. Investment has now become an alternative that is considered good for solving constraints to capital development difficulties (Munawaroh & Sugiono, 2019).

Regional economic development is a process in which the regional government and the community manage existing resources and form a partnership pattern between the local government and the private sector to create a new job opportunity and stimulate the development of economic activities in the region. The main objective of regional economic development is to improve the welfare of the community by increasing the number and types of employment opportunities for the local community. In an effort to achieve this goal, local governments must be able to make predictions about all the potential existing resources (Sutanto et al., 2019).

The regional government and its people must jointly take regional development initiatives. Therefore, the local government along with the community participation using existing resources must be able to explore the potential resources needed to

design and build the regional economy (Arsyad, 1999). Thus, aspects of regional economic growth become one of the indicators of the assessment of success in the implementation of economic development in an area measured by the gross value-added arising from all economic sectors in a region within a certain period of time or referred to as Domestic Products Gross Regional (GRDP).

In general, the objectives of economic development are as follows: first, to develop employment opportunities for the current population, Second, to achieve regional economic improvement, Third, to develop a diverse economic base and employment opportunities. In its implementation, regional economic development needs a good and directed economic development strategy in order to achieve the desired goals and objectives. Success in economic growth itself is closely related to economic development strategies. Regional development strategies can be grouped into four groups (Herry, 2005): a. Physical or locality Development Strategy; Carried out with a program to improve the physical condition or locality of the region for the benefit of industrial development and trade. The aim is to create regional or city identity, improve the base of charm or quality of life of the community and improve the regional business world; b. Business Development Strategy; The development of the business world is an important component in regional economic development planning because of the attractiveness, the creativity or healthy regional economic power; c. HR Development Strategy; Human resources are the most important aspect in the process of economic development; d. Community Economic Development Strategy; This community development activity is an activity aimed at developing a community group in an area or known as community empowerment activities. The purpose of this activity is to create social

benefits. For example, through the creation of labor-intensive projects to meet the necessities of life or benefit from its business.

METHODS

This study is a policy research that is designed to understand one or more aspects related to the policy process, including decision making, policy formulation, policy implementation, which is carried out using descriptive qualitative methods. This research is specifically directed towards the use of a case study approach. As the opinion of Yvonna S. Lincoln and Egon G. Guba who mentioned that a qualitative approach can also be called a case study, namely in-depth and detailed research on everything related to the subject matter (Pujosuwarno, 1992). Therefore, this research is expected to provide a complete, clear and systematic picture regarding the implementation of policies related to the implementation of investment in the regions.

Data collection techniques are carried out by triangulation (combined), with qualitative inductive data analysis and the results of qualitative methods emphasizing the meaning rather than generalization. According to Norman K. Denzin, triangulation of data sources aims to explore the truth of certain information through various methods and sources of data acquisition. Researchers can use participant observation, written documents, archives, historical documents, official records, personal notes or writings and drawings to produce different evidence or data (Denzin, 2012).

In this study the authors used two data sources, namely primary data and secondary data. Primary data were obtained directly from the field through interviews with relevant stakeholders at the Banyuwangi Regency Regional Secretariat, the Banyuwangi Regency Investment and One-Stop Services Office (DPMPSTP),

Bappeda of Banyuwangi Regency, Banyuwangi Public Service Mall and 17 August Banyuwangi University Academics. A Focus Group Discussion was also held with the Investment Coordinating Board (BKPM). While secondary data obtained from literature study, by collecting from various reading sources related to the problem being studied.

This study uses data validation techniques formulated by John W. Cresswell (2009). First, triangulation. In this stage all information from an informant is compared with information provided by other informants. The discrepancy that occurs is then further investigated whether it is a mirror of uniqueness, or a mirror of dishonesty. Second, member checking. In this stage the author brings back the research report to the informant to test the accuracy of the author's interpretation. In this stage the authors interviewed the informants to provide their comments. Third, peer review. At this stage the authors discuss the research report with fellow researchers and policy analysts at the General Secretariat of DPD RI.

RESULT AND DISCUSSION

Development of Investment in Indonesia

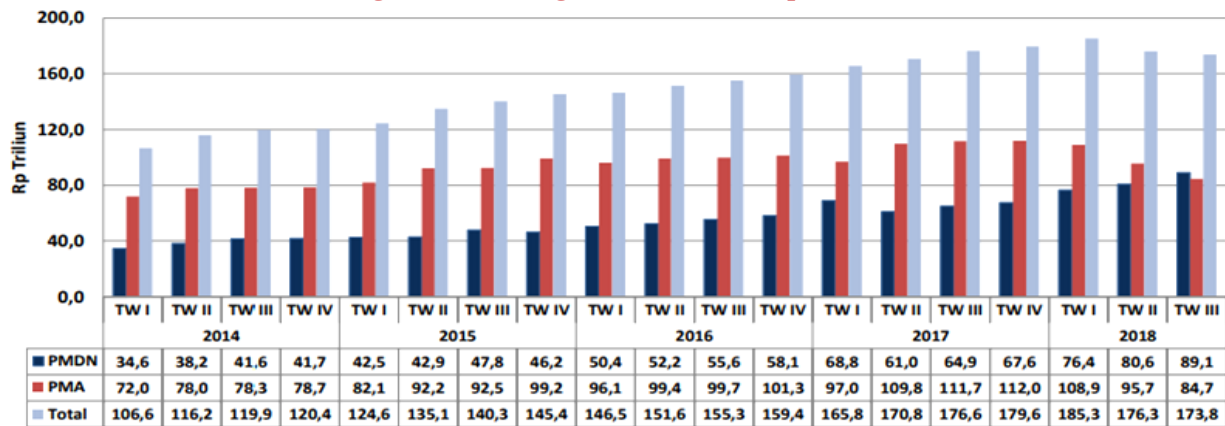
In general, the situational picture of the development of investment in Indonesia is illustrated into two, namely during the New Order and the Reform Order. In the new order era that began in 1966 until 1998, the category of foreign investment increased significantly from year to year and experienced an increase in quantity both in the number of investors and the capital that was included. In the New Order era, the amount of investment invested in Indonesia was quite high. This is due to political, economic, security and defense, social and social stability in a safe and controlled condition so that investors

receive protection and security guarantees in doing business in Indonesia.

Meanwhile, in the quantity of investment, especially foreign capital entering Indonesia, since the reform era has not experienced a significant increase from year to year. Especially between 1998 and 2004 which was a transitional period (new order to reformation era). At that time, political confusion and conflict often occurred in several regions. In 2006, the government submitted a Bill on Investment, and on March 29, 2007 the bill was passed by the Indonesian Parliament to become Law Number 25 of 2007. The following is an overview of the growth rate of Foreign Investment (*PMA*) and Domestic Investment (*PMDN*) in recent year

The increase in investment in Indonesia graph shows an increasing trend from 2014 to 2017. However, in 2018, it began to show a downward trend due to several obstacles. There are two obstacles faced in igniting the investment in Indonesia, as inventoried by *BKPM*, namely internal and external issues. Internal issues include: The difficulty of the company in obtaining suitable land or project sites; Difficulties in obtaining raw materials; Difficulties in terms of funding or project financing; Difficulties in product marketing; There are disputes between shareholders; While external constraints include: Business environment factors, whether regional, national or global that do not support and the lack of appealing incentives or investment facilities provided; Legal regulatory issues; Security, in this

Figure 1. PMA growth rate compared to PMDN



Source: Investment Coordinating Board (2019)

case political stability which is an important indicator for investors in order to guarantee the participation of capital; and There are regulations that are inconsistent with higher regulations, such as Regional Regulations, Ministerial Decrees, or other regulations that distort regulations regarding investment.

Broadly speaking, Law No. 25/2007 gives investors special privileges in all respects. This is because the regulation is intended to provide legal assurance, transparency, not discriminating against all investors and provide the same assurance to domestic and foreign investors. There should be availability of various facilities for investors, especially foreign investors, to be willing to invest in Indonesia.

Compared to the old Investment Law, the new things contained in Law Number 25 Of 2007 are as follows: a. Definition of Foreign Investment; In Law Number 25 Year 2007, foreign capital is not only defined as direct investment but also includes the purchase of shares (portfolio). Thus, the entrance of PMA was further expanded in Law No. 25/2007; b. Treatment of Investors; The same treatment is given and regulated in Law Number 25 Of 2007 in Chapter V, PMA is treated the same as PMDN. In addition, PMA from any country, in principle, is treated equally, except from a country that

obtains privileges based on certain agreements with Indonesia; c. One Stop Service; Article 12 Paragraphs (1) and (2) of Law Number 25 Of 2007 provide facilities for one door service to PMA and there is legal certainty in the ease of service through one door; d. Licensing and easy access for foreign workers; In Law Number 25 Of 2007, foreign workers are easier to enter Indonesia. Indeed, the local workforce must be prioritized, but investors still have the right to use foreign experts for certain positions and expertise (Article 10); and e. Regional Role; Opportunities for foreign investors to invest in other regions are also wider. The reason is, in consideration of Law No. 25/2007, regional governments are given the widest possible autonomy to regulate and manage their own investment management affairs, based on the principle of autonomy and assistance tasks.

The above description describes the new image of investing in Indonesia through the arrangements in Law Number 25 of 2007 which is expected to increase investment in Indonesia. Law No. 25 of 2007 seems to be more open both in the way foreign investment is invested, the subject of increasingly diverse foreign investors as well as the field of business that foreign investors can work in, as well as the role of the region in inviting foreign investment directly. In addition, Law Number 25 of

2007 also increases legal certainty, especially in the service and granting of licenses.

E-Government, Good Governance and Investment Attraction

Legal Assurance in the service and licensing of Law No. 25 of 2007 is implemented by the government of Banyuwangi Regency with the implementation of e-government. Banyuwangi regency implements it by utilizing ICT and applying e-government in implementation.

The definition of e-government is often described differently, unlike e-commerce or e-business whose definition tends to be universal. E-government is known by different terms such as electronic government, digital government, online government, eGov and others (Grönlund & Horan, 2005). Referring to Clay G. Wescott's definition:

“E-government is the use of information and communications technology (ICT) to promote more efficient and cost-effective government, facilitate more convenient government services, allow greater public access to information, and make government more accountable to citizens” (Indrajit, 2004).

This definition is in line with Presidential Decree No. 3 of 2003 that the development of e-government is an effort to improve the quality of public services to the general public, effectively and efficiently in the administration of government by using ICT. The results show that there is a link between the implementation of e-government on the creation of good governance and its implications for increased investment. There are at least thirteen benefits of e-government implementation that are encouraged in Banyuwangi Regency Government, among which are transparency, efficiency and licensing tracking, and most importantly

the branding of services is easy, fast, transparent, effective and efficient. The implementation of e-government is driven by the partnership of ICT entrepreneurs and the existence of regulations and reward policies from the Regent of Banyuwangi to Local Government Working Unit (SKPD) that utilize ICT. Furthermore, the implementation of e-government has a positive impact on good governance.

The characteristics of good governance in Indonesia are contained in Article 3 of Law No. 28 of 1999 on Organizers of a State Clean and Free from Corruption, Collusion and Nepotism (KKN), mentioned some general principles of state organizers, namely: the principle of legal certainty, the principle of order of state organizers, principles public interest, the principle of openness, the principle of proportionality, the principle of professionalism, and the principle of accountability (Ma'arif, 2013). There are at least five indicators that can be obtained from good governance in Banyuwangi Regency, namely transparency, accountability, responsiveness, effectiveness and quality of regulation and law enforcement so that public trust in business actors grows, as well as confidence and comfort in investing. While the driving factor of these indicators is Law No. 14 of 2008 on the Openness of Public Information and Spatial Planning Plan Banyuwangi Regency.

All online services, require the government to facilitate ICT infrastructure as the core of the development of e-government system. One example of an online service available in Banyuwangi is One Stop Service, where the application is used in villages and sub-districts for public service of making certificates such as certificate of poor, police certificate (SKCK) introductory letters and others. If the village and sub-district offices are not yet connected to the internet (LAN / WiFi) of course the use of online services will be less

optimal. Predicate as the first Digital Society City in Indonesia also contributes value to Banyuwangi investment attractiveness. In addition, ICT infrastructure can accelerate licensing services both internal licensing services at the Integrated Services and Licensing Department, as well as licensing registration online.

In terms of transparency, the management of all finances is well systematized in the Financial Information System (*SIKD*). From the planning input, the implementation of financial disbursement, to the administration of financial statements are all systematic and can be monitored directly by the executive in this case the Regent and also The Audit Board (*BPK*) access to monitor financial reports. In terms of responsibility, the public can submit complaints through the complaint channel either through an online complaints service (pengaduan.banyuwangikab.go.id) or through the SMS Center. In terms of accountability, the Government of Banyuwangi Regency has now implemented an online government performance evaluation system for both evaluations for agencies and individual employees through e-Performance as well as Management Information System-Regional Management Report (*SIM-LPPD*) and Management Information System-Village Management Report (*SIM-LPPDes*). Furthermore, in terms of the effectiveness and efficiency of both internal government and public services to the public and businesses, there are already many applications that work to cut

bureaucratic time to make it faster and easier.

Overall, the development of e-government implementation is seen from the application side in Banyuwangi Regency Government from before the period of massive e-government implementation (before 2011) and after 2011 until now presented in the following table 1.

The application/site support above is very helpful in realizing good governance, because the purpose of the application/site is in line with the concept of good governance. In addition, with regulations that are pro-business sector, convenience, speed and licensing transparency, display the image of good governance that creates public trust in the Government of Banyuwangi Regency. In addition, it is supported by improvements in supporting infrastructure such as transportation and internet network such as @wifi.id, optimization of tourism potential, as well as the Banyuwangi Festival program, causing a significant increase in investment.

With the Regulation No. 2 of 2015 on the Provision of Incentives and the Provision of Investment Facilities, of course, strengthen the conducive investment climate for Banyuwangi Regency.

Development of Investment in Banyuwangi

After the implementation of e-government in 2011 in a massive way, the development of investment in Banyuwangi Regency in 2013-2018 has increased very rapidly. The development of investment in Banyuwangi Regency in 2013-2018 can be seen in the following table 2.

Table 1. List of e-Government Applications of Banyuwangi Regency Government

No.	Application Name	Function	Address	Year
1.	SIKD	Planning, Implementation, Administration, Monitoring of Regional Financial Reports	sikd.banyuwangikab.go.id	2009
2.	One Stop Service	Public Service in the Form of Management of All Evidence in the Village and District	portal.banyuwangikab.go.id	2011
3.	ComplaintService	Community Complaints Service	pengaduan.banyuwangikab.go.id	2011
4.	SISMIOP	Registration, Assessment, Data Collection, and Data Processing of Object and Tax Subject of Earth and Buildings	pbb.banyuwangikab.go.id	2012
5.	SIMPEG	Employee Management	simpeg.banyuwangikab.go.id	2014
6.	PPID	Information Management and Public Documentation	ppid.banyuwangikab.go.id	2014
7.	e-Village Budgeting (e-VB)	Village Government Budget Planning, Governance and Evaluation	evb.banyuwangikab.go.id	2014
8.	SIPO	Online Licensing Registration	sipo.banyuwangikab.go.id	2014
9.	Banyuwangi Sunrise of Java	Android Tourism-based applications		2014
10.	Banyuwangi in YourHand	Augmented Reality Application Based on Android		2014
11.	DigitalLibrary	Online based library services	perpusda.banyuwangikab.go.id	2014
12.	JDIH	Legal Documentation and Information Network	jdih.banyuwangikab.go.id	2015
13.	e-Demografi	Banyuwangi integrated data center	demografi.banyuwangikab.go.id	2015
14.	SIM LPPD	Local Government Filing and Reporting	portal.banyuwangikab.go.id /lppd	2015
15.	SIM LPPDes	Filing and Reporting of Village Government Organization	portal.banyuwangikab.go.id /lppdes	2015
16.	e-Kinerja	Performance assessment of civil servants	kinerja.banyuwangikab.go.id	2015
17.	e-Monitoring System (e-MS)	Village Development Monitoring	ems.banyuwangikab.go.id	2015
18.	Banyuwangi-Mall.com	UMKM Online Marketplace	banyuwangi-mall.com	2016

Source: Regional Secretariat Office of Banyuwangi (2019).

Table 2. Development of Investment in Banyuwangi Regency in 2013-2018 (In Billion Rupiah)

No	Year	PMA		PMDN		Non Facility Investment		Overall Investment	
		Investment Value	Number of permissions	Investment Value	No. of permission	Investment Value	Number of permissions	Investment Value	No. of permissions
1.	2013	0,96	5	0,80	1	0,35	1.635	2,14	1.641
2.	2014	83,04	3	645,24	1	462,32	1.336	1.190,61	1.340
3.	2015	0	0	2.450,01	5	937,37	1.981	3.387,38	1.986
4.	2016	0	0	2.345,24	5	1.099,67	1.588	3.444,91	1.593
5.	2017	6,98	11	299,59	7	1.107,14	1.846	1.413,72	1.864
6.	2018	27,89	19	2.288,72	12	792,33	1.976	3.107,94	2.007

Source: One Door Integrated Investment and Services Office of Banyuwangi (2019)

Based on the table above, the average *PMA* in Banyuwangi Regency in 2013-2018 is 19.81 billion rupiah. In 2014 and 2018 *PMA* in Banyuwangi Regency has values above average respectively of 83.04 billion rupiah and 27.89 billion rupiah. Then in 2013 and 2017 have values below average respectively of 0.96 billion rupiah and 6.98 billion rupiah. Meanwhile, in 2013 and 2014 had a value of 0 because in that year no foreign investors invested in Banyuwangi Regency. The variant of *PMA* investment has a value of 1,073,592 which means that the data on *PMA* investment value varies. While the standard deviation has a value of 32.76 which means that the value of *PMA* investment in Banyuwangi Regency has a difference of 32.76 on average.

The average *PMDN* in Banyuwangi Regency during 2013-2018 is 1,338.27 billion rupiah. In 2015, 2016 and 2018, *PMDN* in Banyuwangi Regency has above average values of 2,450.24, 2,345.24 and 2,288.72 billion rupiah. Meanwhile, in 2013, 2014, and 2017 have values below the average of 0.80, 645.24 and 299.59 billion rupiah. The variance of the value of *PMDN* investment has a value of 1,300,256.46 which means that the data on the value of *PMDN* investment is very varied. While the standard deviation has a value of 1,140.29 which means that the value of *PMDN* investment in Banyuwangi Regency has a difference of 1,140.29 to the average. Based on the results of the

analysis that has been done, it can be known that *PMDN* has the highest contribution in the development of investment in Banyuwangi Regency.

Foreign investment has the lowest contribution to the development of investment in Banyuwangi Regency. In foreign investment, the aspects that investors need to consider to invest their capital are more complex. In investing, an investor needs to do a fundamental analysis of macroeconomics. The economic indicators in question are *PMDN*, employment, inflation, interest rates, and budget deficits. Several other research results on the empirical study of investment in Indonesia stated that the Gross Regional Domestic Product, Inflation, Exports, Electrical Infrastructure and Ports have a significant influence on investment in Indonesia, especially on foreign investment. Based on some opinions and the results of this research explains that macroeconomic indicators can determine the inflow of investment in a country or a region.

Domestic investment has the largest contribution in increasing investment in Banyuwangi Regency. Based on the analysis of the data shows that the growth of *PMDN* compared to inverse with the growth of *PMA*. In 2015 and 2016 *PMA* had a low value up to a value of 0 (zero). However, *PMDN* actually has a high value in 2015. The height of *PMDN* is due to Natural Resources (*SDA*) in Banyuwangi Regency

which has a fairly high economic value. An example is the gold content of Mount TumpangPitu. Currently the gold mine is managed by PT BumiSuksesindo (*BSI*), a subsidiary of PT Merdeka Copper Gold, Tbk. Agricultural products in Banyuwangi Regency also have a good quality so it attracts large companies such as PT Perkebunan Nusantara III, PTPN XI, and PTPN XII. In addition, the Glenmore Modern Sugar Factory in Banyuwangi Regency began to grind the first sugarcane in August 2016. The factory with an investment value of Rp 1.5 trillion is able to produce premium type sugar up to 6,000 tons per day. The factory, which stands on 29 hectares of land, is in the modern category because it is integrated by producing derivative production from sugarcane waste. The derivative products include electrical energy, organic fertilizers, bioethanol, and animal feed.

Non-facility investments have movements that tend to be stable amid fluctuating movements from *PMA* and *PMDN*. In the table above it is known that the value of non-facility investments is always increasing and has considerable value. In addition, when viewed from the number of investors who invest also has a fairly stable number. Non-facility investments are investments or companies that are not bound and do not obtain facilities under Law No. 25 of 2007 on Investment. According to the One Door Investment and Integrated Services Department, forms of non-facility investment are Small and Medium-sized Enterprises (*UKM*), mini markets, gift shops and other small shops that already have a Commercial Business License (*SIUP*). The *UKM* sector has been promoted and made the main agenda of Indonesia's economic development. The *UKM* sector has proven to be tough, during the 1998 Economic Crisis, only the *UKM* sector survived the collapse

of the economy, while the larger sector actually collapsed by the crisis.

Strategies for Creating a Conducive Investment Climate

In an effort to create a sustainable realization of investment, a conducive investment climate is needed. A conducive investment climate in the economy is a hope for the community, investors, business actors and the government. The creation of a conducive investment climate is not only based on economic factors such as interest rates, inflation, Gross Domestic Product (*PDB*), minimum wage, and exchange rates. But other non-economic factors are also very influential, such as business licensing issues, political stability, law enforcement, land issues for business land, level of crime in society, government commitment and infrastructure. Therefore, improving the investment climate is an important task for every government, especially countries with low investment competitiveness such as Indonesia.

Banyuwangi regency creates a conducive investment climate with the implementation of several e-government applications that function as transparency, accountability, responsiveness, and facilitate service have a significant impact on improving the quality of local government governance more transparent, effective and efficient. This has a positive impact on the improvement of the quality of good governance in local government and creates a good image and public trust among the community and business actors that impact the increase in investment interest by investors. The success of Banyuwangi Regency in investment management is one of the tourism sector that successfully increased the original Banyuwangi per capita income from Rp 20.86 million in 2010, to Rp 48.75 million in 2018 (BappedaBanyuwangi, 2019). This

means that the per capita income of Banyuwangi Regency increased to 134 percent in a single period.

A conducive investment climate, in addition to the implementation of e-Government is also created with certain policies. In addition to the implementation of Regional Regulation Number 2 of 2015, one of the active role in investing is the Promotion and Investment Field of Investing and Integrated Services One Door (*DPMPTSP*) Banyuwangi Regency, which has work directions divided into several mapping namely mapping investment potential, investment opportunities , and investment projects. According to the Chief of Investment Promotion of Banyuwangi Regency, it is said that government agencies in Banyuwangi are also required to be active in regional development activities. For example, the Promotion and Investment Field of *DPMPTSP* of Banyuwangi Regency received direct instructions from the Regent of Banyuwangi Regency to implement the principle of picking up the ball on its main investment in the field of tourism.

In the future, by creating a conducive investment climate in an area, according to the theory of regional development in a new perspective can be developed as a basis for development. The basis of development or development of these new economic institutions can be stimulated by the region either independently (only local government works) or cooperate with investors or third parties. The development of new economic institutions can be implemented such as the formation of new *UKM*, the provision of CSR from companies to the people, and the movement of rural corporations (*BUMDes*). The development of these new economic institutions is expected to be able to move the economy at the grassroots so that the equality of the economy can be felt from the start of people who live in urban and suburban areas. The goal is certainly none other than to prevent

economic disparities between one area and another.

CONCLUSION

In an effort to create a conducive investment climate, the Government of Banyuwangi Regency has implemented regulations on investment by implementing several e-government applications that aim to promote transparency, accountability, and facilitate public services related to investment. With the implementation of some of these applications, it has a great impact on improving the quality of local government governance which is more transparent, effective and efficient.

Improving the quality of local government governance will automatically shape the image and trust of the public among the public and business actors who have an impact on increasing investment interest by investors. With government governance becoming more transparent, accountable, responsive, service that is easy and fast and supported by regulations that support the business sector has a significant impact on the formation of a positive image of local government. These two impacts can be a regional investment attraction and can affect the perception of potential investors and business actors in the region to invest or further increase the value of investment to be greater.

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