

## DETERMINANT FACTORS INHIBITING THE IMPLEMENTATION OF INVESTMENT IN THE PROVINCE OF SOUTH SULAWESI

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**Abstract:** *This study aims to analyze the determinant and inhibiting factors the implementation of capital investment in the province of South Sulawesi. The method used in this research is a qualitative descriptive data was collected by using such as data observation, interviews and policy documents. The results showed that the determinant factor is the bottleneck in the implementation of investment in South Sulawesi Provinsin were; Firtstly The number Actors involved, both at the central and provincial and district / city, so the more complicated communication in decision-making, Secondly The inhabitation factors of investment were capital, which includes financing, procurement of machinery, raw material procurement and land acquisition, Thirdly The structure of the decision too long at a trilateral level and the level of interkem, both in licensing principle, Finally Time and change leadership, which resulted in a change of policy and law and uncertainty.*

**Keywords:** *Implementation of policies, Investment, FDI, domestic and inhibiting factors (impeding factors).*

### INTRODUCTION

Domestic and foreign investment is regulated, started since the enactment of Law No. 1 of 1967 concerning Foreign Investment and Law 6 of 1968 concerning Domestic then undergoes changes and additions to the Law No. 11 of 1970 on FDI and Law 12 of 1970 on domestic investment. Subsequently amended with in undangkannya Act No. 25 of 2007 on Investment, which in this Act no longer a difference between domestic and foreign, in the provision of treatment and facilities.

Issuance Act No. 25 of 2007 on investment is regulated due to Indonesia as one of the members of the WTO. One of the things pertaining to the GATT-WTO in question are on trade and investment, called the Trade Investmen Measures (TRIMs). In the TRIMs determined that each signatory country TRIMs agreement should not differentiate between domestic capital with foreign capitalinvesment. This means that the laws of investment each WTO member countries should not

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discriminate between domestic and foreign, both in treatment and the provision of facilities.

BKPM South Sulawesi Province (2015) noted that the growth rate, the required investment, both from government and private world number 239.1 trillion over five years. Of the amount of the capital investment plan then Rp. 107.6 trillion or 45 percent planned to be implemented by the government while the remaining Rp. 131.5 trillion or 55 percent of the world's expected berasar private. To achieve the growth rate there is a need of Investment Control Policy Implementation. In this case, the government has issued a decree Head of BKPM Republic of Indonesia Number 12 Year 2013 on Guidelines and Procedures for Licensing Licensing and Non-Investment and Regulation of the Head of BKPM Republic of Indonesia Number 3 of 2013 on Guidelines and Procedures for the Control of Investment. Investment in the province of South Sulawesi, from year to year has considerable development. It can be seen that since the year 2010 and 2013 turned out to rise so high that 76.154 percent (in 2010 amounted to Rp. 128,490,5 billion and in 2013 amounted to Rp. 538,832,6 billion).

Based on the results of the implementation of investment control policy in 2013, shows that the amount realized does not match the number specified in the license in principle. To just give an overview of investment that is not realized in accordance with the data obtained in the Capital Regional Coordinating Board planting (BKPM) South Sulawesi, is: in 2010-2012, the amount of FDI that is not realized is 58.73 per cent, in 2010, the number of domestic were not realized was 96.87 per cent, in 2011, the number of domestic investment which is not realized was 58.10 percent and in 2012, the number of domestic investment which is not realized is 30.05 percent.

In fact, the amount of investment that is not realized so much of the amount of investment that is set by the government, this means that the overall investment activities performed only a quarter of the specified investment. So the result will not only slow down the achievement of the targets set in the second phase Planning Board Issue but also had an impact that is not favorable for the development of the overall development. Thus an important research examined for the purpose of this study was to examine and analyze the determinant factor is the bottleneck in the implementation of capital investment in the province of South Sulawesi.

## **RESEARCH METHODS**

The location of research is in the BKPM office South Sulawesi Province. In this study, the author uses qualitative research case study approach premises. Source of data in this penelilitian is the government, employers and banks. Informants who represents the government of the Republic of Indonesia is the Chairman of the Investment Coordinating Board, Chief BKPM South Sulawesi Province,

Secretary, Head of Section Head Dalwas and Dalwas. Informants from employers is the Chairman of the Chamber of Commerce of South Sulawesi province and four investors, capital (2 PMA and 2 DCI). Then informant of banking is the head of Regional Bank Indonesia, Bank Mandiri Region X Director and Director of Bank BNI Sulawesi Region 07 Sulawesi.

The focus of the study are (1) control the implementation of investment, (2) what are the determinant factors impede the implementation of the investment that has been established and (3) How to control the implementation of the investment. The description of the focus is (1) control the implementation of the investment is a process of activities to ensure that the activities have been planned and implemented sebagaimana process corrects any irregularities which includes monitoring, coaching and supervision, (2) to determine factors that impede the implementation of predefined modes planting is determinants that inhibit causing no realization of established investments in accordance with established. It includes; (A) the number of players (actors) involved, (b) the complexity inherent in the project itself, (c) the level of decision-making is too long and (d) the time and change leadership. (3) control model of investment.

Data collection instrument, an interview with an interview guide, documentation and obse.rvasi. Examination of the validity of the data followed the criteria Nasutian (1992) and Moleong (1993), namely (1) the degree of trust, (2) control, (3) dependence and (4) investment certainty. Data analysis and Hubermainberdasarkan Miles (1984), namely (1) data collection, (2) data reduction, (3) Presentation of data and (4) verification and conclusion.

## **RESEARCH RESULT**

### **1. Actors Involved**

The implmentation investment in South Sulawesi Province, the implementation process consists of the central, provincial and implementation at the district/city. Therefore, implementation consists in the central, provincial and district / city, the actors involved in the implementation of different investments. For the implementation of the investment then there are 15 institutions / bodies which must pass bureaucratic investments, ranging from central, provincial and district / city. This is in accordance with the Regulation of the Head of BKPM Republic of Indonesia Number 12 Year 2013 on Guidelines and Procedures for Licensing Licensing and Non-Investment.

*(a) Process of investment at the central level:* Investors who will carry out the investment in Indonesia must have a principle license. PMA register to BKPM Republic of Indonesia to get his license after receiving rekomendas principle of the relevant technical department for the field activities. Furthermore, the principle

permits forwarded to six ministries (Interior Minister, Minister of Finance, Minister of Justice and Human Rights, Environment Minister, Coordinating Minister for the Economy and Minister of Cooperatives and SMEs), then copy to the Governor of Bank Indonesia, the National BPN, the Commission, the Director General of taxes, Director General of Customs, Technical Director General, Governor, Regent / Mayor. A copy of this is the coordination of supervision of the investment that has permission principle.

*(b) The Investment process of Provincial and Regency or City:* Investors who will carry out the investment in the province of South Sulawesi, approved in principle and facilities for domestic investment of BKPM South Sulawesi and recommendation for FDI which is then forwarded to the Republic of Indonesia's Investment Coordinating Board approved in principle. Then permit principles and recommendations have been forwarded to the Governor and Regent / Mayor in BKPM South Sulawesi Province, were held in coordination with relevant agencies. In this case the coordination is done in order to control capital investment which includes monitoring, coaching and supervision. Agencies involved in this coordination BKPM South Sulawesi province, BKPM District / Municipality, Ministry of Law and Human Rights in South Sulawesi province, the tax office, the Bureau of Environment, ordination of Cooperatives and SMEs, Regional Director of Bank Indonesia Sulawesi, BPN Province / district / city, Bea Excise and the IPC IV.

## **2. Barriers in Investment**

*(a) Sources of Financing:* Financing investment under Regulation Head of BKPM Republic of Indonesia Number 12 Year 2013 on Guidelines and Procedures for Licensing Licensing and Non-Investment, the minimum value for domestic investment is USD. 500 million while the PMA adalaha greater investment value of Rp. 10 billion. This means that in order to implement the financing of capital investment required substantial capital investment and also a long-term investments that have a high risk.

*(b) Procurement of Machinery:* Procurement of machinery for capital investment is the facilitation of the government, in accordance with the Regulation of the Head of BKPM Republic of Indonesia Number 12 Year 2013 on Guidelines and Procedures for Licensing Licensing and Non-Investment. This is because investors who will carry out investments bring the machines from abroad and the government provides import duty on machinery. Plant and machinery is the largest component of investment (including plant construction, installation costs, transportation costs, and other parts).

*(c) Procurement of Raw Materials:* Auxiliary raw materials is a major component of the investment. Auxiliary raw materials of the investment brought

in from abroad. Therefore, the government provide duty on imported goods and raw materials, is in accordance with the Regulation of the Head of BKPM Republic of Indonesia Number 12 Year 2013 on Guidelines and Procedures for Licensing Licensing and Non-Investment.

*(d) Land Acquisition/Land:* Some investors in the province of South Sulawesi require land / soil wide. Facilities from the government in terms of land / soil is the use rights for 70 years (45 years + 25 years), leasing rights for 95 years (60 years + 35 years) and building rights for 80 years (50 years + 30 years). With this facility is expected to attract investors to come to Indonesia.

*(e) Level Decision:* At the central level decision making for licensing principles and facilities for PMA is no later than 3 days, if all administrative requirements are met. Similarly, the principle permits to domestic investment by BKPM South Sulawesi province. This is in accordance with the Regulation of the Head of BKPM Republic of Indonesia Number 12 Year 2013 on Guidelines and Procedures for Licensing and Non-Licensing. Based on the study, showed that the average license out principle is 3 weeks, if all mkelengkapan complete administration. Then for the recommendation of the ministry in accordance with the business, it takes one month to 2 months. Furthermore, the business license in accordance with the business through the ministry, it takes 42 working days. The total time required for the central level is 145 days.

At the provincial level, district / city, the necessary permits interference, EIA and some licenses that takes 67 working days, not including any lack of completeness. So for investors, this business too long, boring and long-winded.

*(f) Another factor, Time and Change Leadership:* Because obtaining permits and facilities as well as investment planning ranging from planning to implementation takes a long time, it can lead to changes kepemimpinan. Leadership changes can lead to changes in policy, kebijaksanaan change means a change of law. This means that changes in the law mean legal uncertainty, this can influence the implementation of the investment.

## DISCUSSION

### 1. Things that inhibit Investment

*(a) Process At the central level:* From the results of the meeting interkem, the Government issued recommendations addressed to the Republic of Indonesia Investment Coordinating Board. If rekeomendasi provide recommendations agreed to grant fiscal and non-fiscal facilities within three days then issued a letter approving the fiscal facilities and non-fiscal facility. However, if the results of the meeting refused to provide facilities interkem fiscal and non-fiscal facilities then there are two alternatives, namely; (1) refused to grant approval letter granting of

fiscal and non-fiscal and (2) investors re proposed to apply when only administrative issues.

Once investors got permission principle, fiscal and non-fiscal facilities and all recommendations have been implemented and submitted then the next letter is all investors are required to have a business license in accordance with the business to be carried out. For example, the capital investment in the field of agriculture then there are 9 new licenses should be taken care of to carry out the investment. the next permit direct sales business license, business license surveying services, Brokerage Company Business License and Permit Property Trading After obtaining permission principle, investors apply for the fiscal facilities in the form of import duty on import facilities excluding engine spare parts, facilities duty on imported goods and materials as well as the proposed reduction in the corporate income tax. While the non-fiscal facilities are manufacturer importer identification number (API-P), the general importer identification number (API-U), the planned use of foreign labor, visa and permit recommendation employ foreign labor. In the maintenance of the facilities for obtaining fiscal and non-fiscal, the investor filed to BKPM RI and then sealed in a trilateral level consisting of Indonesian Investment Coordinating Board, Department of Finance and Investor itself, After completion of the Tertiary trilateral, continued to interkem meeting (interministerial) which consists of BKPM RI, Related Technical Department, Ministry of Finance, Ministry of Interior, Ministry of Manpower and Transmigration, BPN and some other department.

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**(b) In the process of Provincial / District / City:** Completeness of licensing in the area outside of the permit is a permit interference principle, EIA / UKL / UPL.

Then forwarded to the Ministry / Department / Director General of the rules. Then some permission from the Regent / Mayor as SIUP, SITU, land use permits and licenses eat it. The length of the bureaucracy that must be passed investors, resulting in investors to think making investment in Indonesia. Not to mention the amount of money that must be spent on each permit or recommendation.

The number of structur involved in the central and provincial level and district / city, meaning the growing complexity of communication between ministries and agencies in decision making. Because each of the ministries / agencies each have interests that the investors have problems in the subsequent implementation. The more players involved and influence the implementation of the investment, the more complicated communication in decision making. The more complicated the greater the communication delay, obstacles in the implementation process of capital investment.

## **2. Barriers to Investment**

*(a) Sources of Financing:* Investors are expecting the capital of banks / other financial institutions. Based on the results of research, investor mengharapak of banking capital of the non-banking. However, not all banks provide loans to investors, but to fulfill the established banking rules such as character, capabilities, capasitas, capital and collateral and Condition. The results also show that in fact the investors only use capital to finance domestic and foreign, is 20 percent of the total cost of investment. The remaining 80 percent is expected from banks. While the terms are difficult to fulfill by investors (domestic and foreign) to obtain credit from a bank is collateral or guarantees and capital or capital, as the bank expects that investors finance about 45 percent of the total investment and asked for additional collateral. Thus not all investors are given credit or bank financing, thus many investors not to continue investment in the province of South Sulawesi. From the results of the study also showed that there are investors after obtaining permission principle (principle permits both domestic and foreign), and then sell the principle permits to other investors / entrepreneurs because no banks / other financial institutions are willing to give credit. Other factors that lead to investment is difficult to get financing from banks is high interest rates which is 18 percent per year.

With interest rates so high because of the financial policy of Bank Indonesia, the government expects FDI to carry out investments in Indonesia. Turns PMA still wait and see Southeast Asia and financial developments for Singapore while the country is still the safest countries to save money to be used at any time to make an investment in Southeast Asian countries.

*(b) Procurement of Machinery:* The results showed that the machines are imported from outside has a large component and a lot, so that customs (customs in this case) hold to match the machines classification of investors. A review

conducted takes several weeks or even months, thus becoming the maintenance burden convoluted. It often happens because there is a classification that does not comply with the manifest of goods, machines were detained pending further classification, consequently machines become rusty and even broken.

*(c) Procurement of Raw Materials:* Auxiliary raw materials are imported from outside, dilampirkan with the establishment of the company, industrial permit, the Decree of Import Duty exemption facility Raw Materials, Sofcopyinvestors module, TIN, NIK, Import Identification Number, Capacity of incoming raw materials, Letter Kementerian Industry Notices Customs (Customs) and a few more requirements. If one is not met then the raw materials can not be taken by investors and retained in the port while waiting for the next maintenance requirements.

*(d) Land Acquisition/Land:* Results of the study was the liberation of the land / soil encountered resistance because people do not want to give the land as productive, land acquisition costs are low (not match the price). There is also pembebasana land / soil can not be done because it goes in the area of indigenous lands and protected debt. Thus investors to defer capital investment.

*(e) Intake Level Keputusan That Too Old:* Decision-making for the management of investment in Indonesia from the central to the provincial and city / district, takes 200 days. So berokratis and rambling. Thus, Indonesia menempai order to 120 under the Philippines (order 118) states that the old licensing. In terms of the cost of obtaining permits and facilities, researchers did not get any expenses incurred directly, because the rule says that a permit and facilities free of charge. However, based on observations and interviews in private, entrepreneurs turned out to pay any processing of permits and facilities. The entrepreneur does not specify how the costs incurred for that.

*(f) Other factors, Time and Change Leadership:* In Indonesia national leadership change does not coincide with the change of leadership at the provincial and district / city. Because it does not coincide, the resulting policies differ or contradict both regents / mayors, governors and presidents. Because of the different policies from central to provincial and district / city, make the investment thinking to implement investment.

## CONCLUSION

Determinant factors that hinder the implementation of capital investment because many aktors involved as bodies / agencies / ministries involved both at the central, provincial and district / city, the complexity inherent in capital investment projects, which include bank financing, procurement of machines, procurement of raw materials and land acquisition, the level of decision-making is too long and tiered of central, provincial and district / city and perubaganand design time and investment.



Thus Act No. 25 of 2007 on Investment, Head of BKPM Republic of Indonesia Regulation No. 12 Year 2013 on Guidelines and Procedures for Licensing Licensing and Non-Investment and Regulation of the Head of BKPM Republic of Indonesia Number 3 of 2013 on Guidelines and Procedures for the Control Implementation of Investment, was not able to increase investment in Indonesia, particularly in the province of South Sulawesi.

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