

# 3. Excellence-Investment- Determination Edit

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**Excellence Investment Determination Analysis To Enhance Regional Competitiveness (Case Study to Determinate City of Semarang as Trading and Serving City)**3 **ardiwinoto***Fakultas Ekonomi Universitas Muhammadiyah Semarang  
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Email: akhmadfathur@gmail.com***ABSTRACT**

*The research aims to determine city of Semarang as Trading and Serving City. The method used to identification of potential investment to the stakeholders associated with the investment both private and government in the city of Semarang. The method of analysis used is the AHP (Analytical Hierarchy Process) to determine the potential for economic and investment opportunities in the city of Semarang. The results of the study are known in the excellence investment of Semarang City in accordance with the location of investment, type of investment, sources of investment related stakeholder. The results of the study are give recommendations to the government to determine excellence investment to enhance regional competitiveness and to determine city of Semarang as trading and serving city.*

**Keywords:** excellence investment, regional competitiveness, trading and serving city

**Introduction****1.1. background**

Semarang as the capital of the province became the center of economic growth, increased investment is needed, so as to create a multiplier effect of economic growth. Multiplier effect investment and revenue production creates a major public impact on the purchasing power (aggregate demand), then increase production and investment (Kuznets, 1969; Ramey, 2009; Zubairy, 2009; Leeper, 2010).

One of the component is driving economic growth is investment. Added investment means additional production capacity so as to increase the purchasing power of people, then increase the rate of economic growth, which ultimately leads to increased regional competitiveness (Besley, 2007; Koedijk, 2011).

Since the effect of regional autonomy in 2001, the local government authority to regulate economic resources owned. Local governments have the right to explore local revenue (PAD) to boost economic growth through investment. Through the determination of The Excellence investment, Semarang will be able to increase the production of investment interest in the production sector, trade, and services.

Semarang city as a center of investment must be able to determine the excellence investment. Certain excellence investment is an investment that was developed in an area so as to encourage other investments growing. Such investments could trigger an increase in the aggregate volume of production (Nadiri, 1994; Besley, 2007; Renneboog, 2008).

Excellence investment will utilize natural resources (SDA) and human resources (HR) in the region, thus increasing revenue for the community and the government, so as to enhance the competitiveness of Semarang (Rodwin, 1963, Porter, 1994; Carleton, 1998; Del Guercio, 2012).

**1.2. Research Objectives**

- a. Determining the type of government investment so as to increase the competitiveness of the region in the city of Semarang.
- b. Develop an investment strategy so that the government can improve the competitiveness of the region in the city of Semarang.

**1.3. Benefits of Research**

Provide recommendations to the government of Semarang in determining investment in the public sector to support economic growth in the city of Semarang.

## Study of Theory

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Some problems with this Act can be categorized as follows: Applying vague and ambiguous expressions and words in context of the Act which makes it hard to executive and interpret, such as: the extent to which the Act covers unemployed peoples. The minimum period to pay unemployment insurance fee is six months which seems a short one, taking into account financial situation of relative sources. In the foresaid Act just employer has to pay the insurance fee which seems unfair to put total financial burden on employer's shoulders while Government makes no contribution. Also there are other problems which this work will focus on to illustrate and propose solutions. The present study is to focus on Iran legal system in demission of unemployment insurance, taking in to consideration problems within Unemployment Act of Iran and finally come up with suggestions and recommendations.

## Study of Theory

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### 2.1. Theory of Economic Growth

Factors that can promote economic growth is the real per capita growth rate and the spread or distribution of labor force by sector of production activities (Kuznets, 1969). Growth center theory is used to study the regional economic development (Kuncoro, 2003). The theory of the growth center (the growth pole theory) is used as the basis of research, because it is in accordance with the model of the development of Semarang as regional concentration of economic activity, which is used for the activity concentration of the population as a center of commerce, industry, node distribution, settlement, or a regional capital. While the outside of the central area of concentration is referred to as its hinterland, agricultural areas, or rural areas (Darwent, 1969; Cameron, 1970; Tarin, 2004).

Gain the concentration of economic activity is the creation of economies of scale (economies of scale) and economies of agglomeration (economies of localization). Said to be economies of scale, because the production has been based on the specialization, so that production becomes larger and the cost per unit becomes more efficient (Nadiri, 1994; Besley, 2007; Baron, 2008). Economies of agglomeration is an advantage because in that place there is a wide range of uses and facilities that can be used to facilitate the activities of the company, which is banking services, insurance, workshop, electric company, water company, places of skills training, medium to advertise their products, and other forth.

Darwent (1969), Cameron (1970) and Tarin (2004) considers that the area as a growth center must have four characteristics:

- 1 The existence of a relationship between the various production activities.
- 2 There is a multiplier effect (multiplier effect).
- 3 The existence of geographical concentration.
- 4 The ability to encourage economic growth.

### 2.2. Local Economic Development

The definition of local economic development illustrates the geographical area of a local government authority in an effort to create economic growth (Kuznets, 1969; Nadiri, 1994; Besley, 2007; Baron, 2008). Local economic development process illustrates how local governments and private businesses are able to organize activities, employment opportunities for the purpose of economic growth (Friedman, 1966; Darwent, 1969; Todaro, 1995). Local economic development is economic development that is based on the utilization of human resources, natural resources and local institutional resources by society through government (Kuznets, 1969; Scott, 1987; Nadiri, 1994; Besley, 2007; Baron, 2008).

### 2.3. Investment approach

The purpose of the investment can be seen from the two interests, namely micro and macro (Kuznets, 1969; Sumantoro, 1983, Scott, 1987; Jones, 2002; Bruckner, 2010). Micro level seen investment objectives of the investor's interests. The purpose of the investor in making an investment that is economically oriented; to make a profit. While the macro can be seen from the interests of the government. The government has invested in financing development activities. Investment can contribute to the development activities so as to realize the people's welfare.

Investment can be a multiplier and accelerator for the growth of the local economy (Wagner, 1984; Renneboog, 2008; McCahery, 2010). One of the drivers of economic growth is the investment climate that has high productivity, which is able to increase the capacity of inputs in the production process and at the same time increase the output, so as to increase the rate of economic growth. Then the local government should be able to increase local investment, so it is not dependent on the central government. (Wagner, 1984; Renneboog, 2008; McCahery, 2010).

## Research Methods

### 3.1. Sources and Data Collection

Secondary data were obtained from the BPS, Masterplan Semarang, Semarang City Development Plan, and several studies predecessors. While the primary data conducted field surveys on the state of the city infrastructure, market potential, the vertices of the economic activity of the city, as well as interviews with several stakeholders.

**3.2. Method of Analysis**

The analytical method for determining the investment strategy into urban development and services in the commercial city of Semarang is using AHP analysis method (Analytical Hierarchy Process), that is by (Saaty, 1982):

- a. Overview analyzing the physical, social, economic, technical and related to the increased investment in the city of Semarang.
- b. Formulate excellence investment priorities in the city of Semarang.

**4. Results Analysis Research**

Figure 1



Source: Analysis by the Expert Choice 9

**Discussion**

**5.1. Developed Investment Potential Location Semarang As the City of Commerce and Services.**

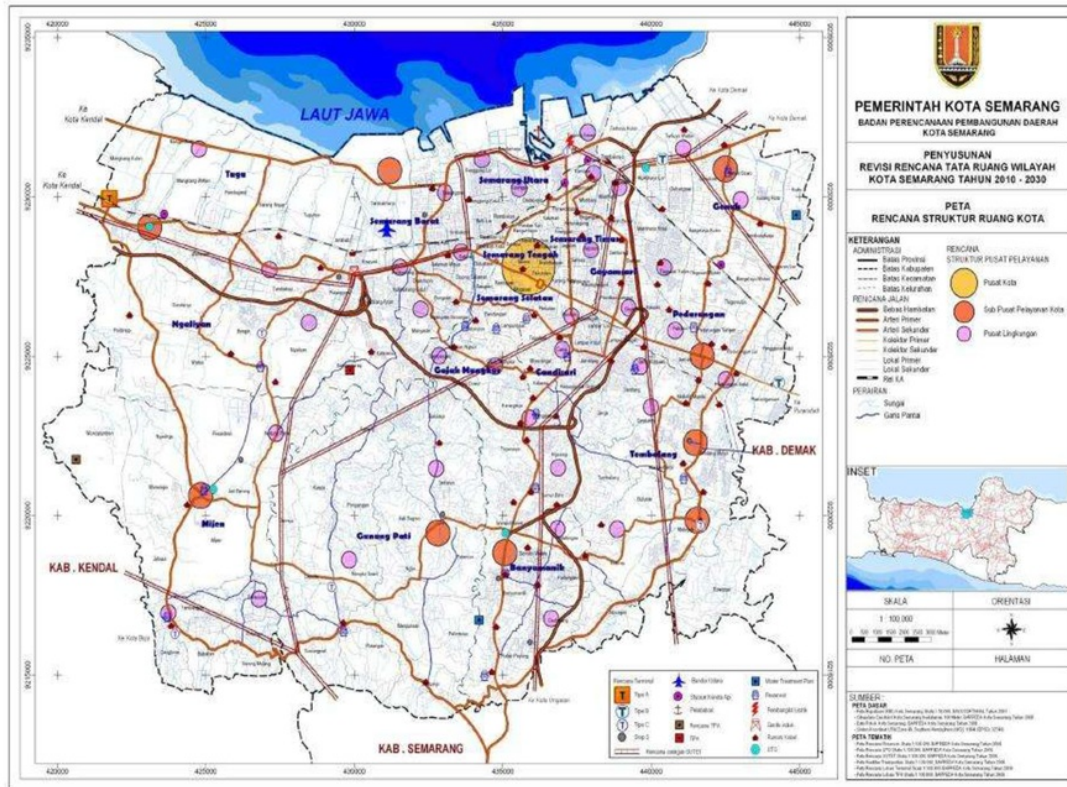
Semarang as port city or the trade town has been since the 16th century ago (Utami and Suryo, 2000). Semarang city is growing rapidly along with the development of markets and trading patterns. Based on historical traces, Semarang since the kingdom of Demak, Mataram and the VOC, as the city of Semarang airport (Utami and Suryo, 2000). This is supported by the physical conditions are on the north coast (north coast) which is contained ship port of Tanjung Mas. At that time the transportation is key to support marine commerce (ports) that until now still active then followed by the presence of Ahmad Yani international airports, ground transportation network also use the train to the eastern cities from Surabaya to Jakarta to the west, south to Solo and other cities, as well as inter-city bus lines between provinces.

Semarang city is located in the Johar area to be linked by berok river from the port of Tanjung mas, then spread more widely both to the south, east and west, which is not only in the area below the north coast. It is proved that the markets were growing in every corner of the city of Semarang. Tracing the history of the triumph of Semarang supported by the greatness of the market, becoming the identity of the trade and services in Semarang. In the development of the market has two categories: traditional



markets and modern markets. Before discussed strategic investments or excellence position in the city, need to know the position of the strategic location of the city of Semarang, as in the following figure.

Figure 2: Semarang Space Structure Plan



## 5.2. Investment Strategies for Government of Semarang City as Trade and Services city.

Investment strategy that needs to be done Semarang City Government are as follows:

### 5.2.1. Development and Trade Development Facility and Services (Infrastructure)

Semarang city already has the infrastructure, such as airports, ports, terminal station representative, also have a trading facility and supported office. Semarang city government needs to expand the development of new infrastructure that can support the existence of the city of Semarang as the trade and services city. Topography of the city of Semarang has upper and lower town, it caused rob and flood problems. Therefore, it is necessary to reorder the infrastructure to anticipate the rob and floods, so that trade support facilities and services can be avoided from the rob and flood problems.

### 5.2.2. Improved Image and Icon City

Semarang city is not separated from the city's iconic imagery. The image of the city can work together with the increase in trade and the role of city services. The image of the city requires shopping malls and service as a means of trade promotion. Therefore, it is necessary to revitalize traditional markets, as traditional markets have proven to sustain the city's economy. However it also needs to be done both location and segmentation synergy between traditional and modern markets. Semarang city as a center of trade and services, also need to be developed that encourage the growth of an icon of trade and services.

### 5.2.3. Building the Trade Center and Means of Promotion

Consistent with the title of Semarang as a trade city, needs to be equipped for the means of promotion and trade center. Semarang as regional centers of economic activity, national and international, as well as a central national activity then there need accommodation facilities such as hotels and tourism. Semarang city also has areas of expenditure as a central embryo of trade (trade center), for example; typical food of Semarang on Jl. Pandanaran, also has a trade center embryo for computer /

electronics at Plaza Semarang Simpang Lima; shopping centers for industrial machinery in complex of Bubakan and Jumatan, as well as fish trading center in Central Java located on Jl. Pengapon.

#### **5.2.4. Revitalization of Traditional Markets In Semarang**

There are several regional-scale traditional markets (as a wholesale center) into the spirit of the city of Semarang. Evidently, even though some of these markets appear dirty, crowded, until now still a lure visitors because of the completeness types of merchandise and lower prices. Therefore Semarang City Government needs to immediately revitalize some markets, among others; Johar market (Yaik), Bulu, Peterongan, Karangayu, Jatingalih, Tugu, Jrahah, and others. This market has proven to be an effective means of trading, so the physical development needs to be equipped with sufficient parking places, comfort locations and synchronize with the transportation system.

#### **5.2.5. Synergy Development between Traditional Market and Mall / Supermarket**

Although tourism is not the city of Semarang city, but not necessarily have a tourism icon. Semarang city as a destination of national activities necessary to make the visitors feel more at home living in the city of Semarang. With a longer stay in the city, the visitors make transactions in Semarang, so as to boost the volume of trade transactions. Semarang city needs development of tourism promotion and institutional strengthening to create Semarang City as a tourism destination.

#### **5.2.6. Development of Tourism Icon**

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#### **5.2.7. The integration between Production and Related Services Sector**

Semarang city as a city of trade and services can not be separated from production and service sectors. Semarang City need to integrate the development of production and services sectors. Trade is closely related to banking or financial institutions, in accordance with the needs or the type of service desired, namely the ease of access to credit or financial services. It can help small and medium businesses to grow so that they can experience improvement efforts and progress. Also keep in synergy development sectors of production, procurement of goods and services both from within the city, outside the city and abroad. Warehousing services, transportation, distribution, promotion, marketing and so forth. These efforts will be helpful in suppressing the smallest barrier to entries, particularly UKM and the need for political will and commitment that can affect the success of the implementation of the revitalization of the investment.

#### **5.2.8. Superstructure Development / Institutional Trade Related**

To achieve a healthy investment climate needs to reform the economic institutions at various levels, that are able to reduce the practice of high economic costs. The Reformation includes an attempt to resolve the synchronization as well as the deregulation between sectors and between central and local as well as institutional capacity building for the implementation of the simplification of licensing procedures for start-up businesses, improvement of taxation system, law enforcement to increase security and order business. To reduce transaction costs and economic practices of high costs, need to be done gradually completion of deregulation (trimming bureaucracy) regulations and licensing procedures.

#### **5.2.9. Development Investment Information System**

Development of investment information systems is the development of integrated data center business include, among others, land information systems, export import information systems, the sources of procurement and sale of commodities. Therefore, it is also necessary to develop cooperation and partnership conducted both domestically and abroad, both with private and state institutions.

### **Conclusions and Recommendations**

#### **6.1. Conclusion**

- a. Excellence investment is determined by location, region or linkage between economic region. Economic zones cut across administrative boundaries, the integration between regional growth centers and hinterland areas.
- b. Excellence investment is determined by the availability of infrastructure and superstructure. Infrastructure among others; roads, stations, ports, bridges and others. While the superstructure, among others; bureaucracy, political will, and efficient licensing mechanisms.
- c. Excellence investment is determined by the formation history of the region into a center of trade and services. Investment area has a long history, so the determination of the location of the investment can not directly replace the existing developing location.

d. Excellence investment is determined by social instruments, political and cultural development of the natural history of the establishment in accordance with the location of a potential investment.

## 6.2. Suggestion

- a. Semarang City Government needs to develop an information system investment in the development of a unified business data center that includes, land information systems, exports and imports information systems, the sources of procurement and marketing.
- b. Semarang city government needs to develop the infrastructure to confirm the cities of Semarang as the city of commerce and services.
- c. Semarang City Government needs to improve the image and Icon City, also increases the role of the trade center and Means of Promotion
- d. Semarang City Government need to revitalize traditional markets, so it can be synergy with the modern market.

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