

Investment Development Strategy Management in Mahakam Ulu Regency, Indonesia

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Abstract

Investment activities pay attention to a very important role as a driver of regional economic growth. The focus of the research is about several models that are interconnected with strategies in attracting investor interest. From the scope of realization of foreign investment is more dominant than domestic investment in Mahakam Ulu Regency, so there needs to be a strategic effort to develop investment related matters. The research approach is development based and descriptive, where researchers intend to describe existing phenomena by analyzing and presenting facts systematically to achieve the intent and purpose of conducting field studies. Existing data types used are quantitative and qualitative data during March-September 2019. Analysis of data with interactive models and processed using Strength analysis, Weakness, Opportunity, and Treath (SWOT). The results of the analysis of investment strategies in terms of strategic policies, emphasize the choice of policies to provide various investment facilities rather than providing incentives. In order to attract new investment, encourage increased investment through the provision of incentives, and ease of investment, in terms of strategic policy the priority of policy choices is to provide a variety of investment facilities rather than incentives.

Keywords: strategy management; investment (foreign and domestic); development

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1. Introduction

The economic progress of a region cannot be separated from the role of investment. Investment becomes important because it is the main pillar in mobilizing the potential of natural resources owned by an area. Likewise with the economy of Mahakam Ulu Regency as a new expansion area which is a newly growing area. Mahakam Ulu Regency can be said as a buffer zone of Samarinda City, Balikpapan City, Kutai Kartanegara Regency, and East Kalimantan Province. Investment is a very important part in national economic development. In a long-term macroeconomic perspective, investment will increase capital stock, where the addition of capital stock will increase the production capacity of society which then accelerates the pace of national economic growth.

The government has tried to encourage investment, both by domestic and foreign entrepreneurs, with various policies and regulations. But there are still many environmental factors besides government policies and regulations that also influence the development of investment, even policies and regulations set by government agencies and agencies. Especially for foreign investment, more requirements are demanded so that they are interested in investing their capital in the regions. To encourage national economic growth in 2020, the government will rely on investment growth and state that in this period there are many factors that will encourage investment.

The vicious cycle of poverty in underdeveloped countries can be cut through capital formation. As a result of low income levels in underdeveloped countries, demand, production, and investment are at a low level. This causes a shortage of capital goods that can be overcome through capital formation (Jhingan, 2010).

Table-1. Realization of Domestic Investment Projects, Foreign Investment and Economic Growth in Mahakam Ulu Regency

Year	Domestic Investment (IDR)	Foreign investment (USD)	Economic Growth (%)
2015	7,928,300,000	28,644,500	3.32
2016	13,355,680,000	42,251,400	3.41
2017	28,405,170,000	22,785,200	4.27
2018	33,826,500,000	11,623,300	5.39
Average	20,878,912,500	26,326,100	4.10

Sumber: Central Statistics Agency of East Kalimantan Province (2019)

The development of investment flows (domestic and foreign) tends to fluctuate for 4 years. The average realization of domestic investment reached 20,878,912,500 IDR and the highest in 2018 was 33,826,500,000 IDR, while the lowest value was in 2015 amounting to 7,928,300,000 IDR. A fantastic difference can be seen from the types of foreign investment in Mahakam Ulu Regency, which averaged around 26,326,100 USD. 2015 was the period with the largest realization of foreign investment reaching 28,644,500 USD and the smallest being 11,623,300 USD in 2018. It is known that the accumulation of these investments had no significant impact on the performance of economic growth in Mahakam Ulu District, with the same period averaging 4.10 % Economic growth resulting from investment quality, in fact the highest reached 5.39% in 2018 and the lowest in 2015 at 3.32% (see Table 1).

As an area that still needs investment, of course the government will make maximum efforts to open up the broadest investment opportunities, especially for foreign investment, especially in important business fields, but have not been able to be controlled by the Regional Government. It is hoped that the entry of foreign investment will contribute to the Region in the form of improving the level of technological capability through technology transfer, improvement of expertise and knowledge of the workforce and expanding business networks. Besides that, it also creates new jobs, has the potential to increase regional income, and many other positive benefits.

Part of the effort in providing an overview of potential opportunities in the Mahakam Ulu Regency is to provide data and information on resource development, for this reason it is necessary to conduct a resource evaluation study to determine suitable commodities for development, so it is necessary to map regional investment strategies in Mahakam Ulu Regency. Investment activities in all sectors for the Mahakam Ulu Regency. Furthermore, it is expected to be a driver of growth evenly across all sectors. The transportation sector, regional industry, trade, services and other investments that mutually support the existence of potential regional investment.

Theoretically and empirically, trade and investment activities pay attention to a very important role as a driver of regional economic growth. The multiplied impact arising from these activities enables the economy to produce a lot of output, the optimal use of local resources and the dynamics in the inter-regional and cross-sector production exchange processes. In general, the development of the investment climate needs to be focused on efforts to reduce various obstacles that hamper trade and investment performance in Mahakam Ulu Regency. As an initial step to improve the situation, the Indonesian government needs to have indicators that can be used periodically to monitor the investment climate both within the framework of the national economy and the regional economy.

The focus of the research is about several models that are interconnected (related) with strategies in attracting investor interest. From the scope of realization of foreign investment is more dominant than domestic investment in Mahakam Ulu Regency, so there needs to be a strategic effort to develop investment related matters. This is due to the fact that the territory of Mahakam Ulu Regency was still relatively new (post-division from West Kutai Regency) in 2013. Therefore, it seems evident from the multiplier effect of the role of investment on economic growth that is still small, causing dependence on government spending is still high and independence region is not optimal.

2. Literature Review

2.1. Investment and Economic Growth

Investment plays an important role in economic growth. Countries such as Asian Tiger, which are able to accumulate high levels of investment achieve faster rates of economic growth and development. Public investment in basic infrastructure can be an essential precondition for capital accumulation in the private sector. Also, public investment in education, health facilities and other public goods which benefit society but for which private incentives are lacking may improve human capital formation and environment in which private sector can thrive,

which in turn may lead to economic growth. For example, study by Diamond (1989) finds that capital spending on education, health, and housing has a positive effect on economic growth. However, public investment could also lead to a crowding-out of private investment which would have negative implications for growth (Swaby, 2007). Crowding-out may occur when additional public investment requires raising future tax and domestic interest rate, or if the public sector produces investment goods that directly compete with private goods (Phetsavong & Ichihashi, 2012). In addition, the utilization of additional physical and financial resources, which would otherwise be available to the private sector, may also depress private investment (Blejer & Khan, 1984; Aschauer, 1989). The crowding-out effect could also occur when a distortion of public sector is too large. In order to finance a rising capital spending, the government needs more financing which in turn generates higher interest rates; therefore, minimizing the private sector's ability to access to monetary markets (Phetsavong & Ichihashi, 2012). Nonetheless, the impact of public investment on private investment is a matter of empirical investigation.

The effects of investment on economic growth are of two folds. First, demand for investment goods forms part of aggregate demand in the economy. Thus, a rise in investment demand will, to the extent that this demand is not satisfied by imports, stimulate production of investment goods which in turn leads to high economic growth and development. Secondly, capital formation improves the productive capacity of the economy in a way that, the economy is able to produce more output. Further, investment in new plants and machinery raises productivity growth by introducing new technology, which will also lead to faster economic growth (Ipumbu & Kadhikwa, 1999).

2.2. Strategy Management

The company's strategy is a comprehensive planning formulation of how the company will achieve its mission and objectives. Strategy will maximize comprehensive advantage and minimize competitive limitations (Hunger & Wheelen, 2003).

Strategy is the determination of the company's long-term goals and objectives, the implementation of actions and allocation of resources needed to achieve the stated goals (Chandler, 1962). Meanwhile, according to Andrew (1971), strategy is a pattern of goals, objectives and general policies / plans to achieve the stated goals, which are stated by defining what business is run by the company or which should be run by the company.

The first strategy proposed by Chandler (1962), states that the strategy is the long-term goals of a company, as well as the utilization and allocation of all the resources that are important to achieve these goals. A good understanding of the concept of related strategies, will determine the success of the strategies drawn up. These concepts are distinctive competence and competitive advantage (Rangkuti, 2000).

The essence of strategy management is to study why companies are able to have performance that outperforms other companies. This means focusing on two main questions, namely: (1) How do companies have to compete in order to create competitive advantage in the market ?; (2) How to maintain a competitive advantage that is sustainable and not only contemporary (Kuncoro, 2005).

3. Method

3.1. Research Design

This type of research approach is development-based and descriptive, where researchers intend to describe existing phenomena by analyzing and presenting facts systematically to achieve the intent and purpose of conducting studies in the field in order to provide an overview of business and economic prospects. In addition to compiling an identification of investment potential and its development strategy in Mahakam Ulu Regency, then compiling an indicator of conduciveness or investment climate progress in Mahakam Ulu Regency as part of the agro-industrial buffer center in East Kalimantan Province, in an effort to provide alternative types of superior potential opportunities that can growing economic activities related to development activities in various sectors.

With the design of a development model or Research and Development (R&D), it can be used to produce certain products and test the effectiveness of these products. In order to produce certain products, research needs to be done that are needs analysis and to test the effectiveness of these products in order to function in the wider community, then research is needed to test the effectiveness of these products (Sugiyono, 2012).

3.2. Research Sites

On a regional basis, this study was conducted in Mahakam Ulu District with 5 Subdistricts, including: Long Connect, Laham, Long Bagun, Long Apari, and Long Pahangai. Specifically, this research takes place in several areas related to resource potential to support investment, development of superior investment products, rural

economic objects, environmental objects, and village tourism. Because Mahakam Ulu Regency has fairly good economic potential, resources, and tourism objects.



Figure-1. Research Area

The area of Mahakam Ulu Regency is around 15,315 Km², while the area boundaries are as follows (Central Statistics Agency of Mahakam Ulu Regency, 2019):

- Northern: bordering Malinau and Serawak Regencies (East Malaysia);
- East: borders with Kutai Kertanegara Regency;
- South: bordering West Kutai Regency and Central Kalimantan Province;
- West side: bordering Central Kalimantan Province and West Kalimantan Province.

3.3. Data Type and Source

A research is a scientific method used to obtain valid data. Data is a fact or description of the object under study. The types of data that are used in this study are quantitative and qualitative data during March-September 2019. In this study, the authors suggest two data sources that are interrelated and support each other, namely:

- Primary data sources, obtained directly in the field through interviews. Samples of informants were taken by selecting informants who are considered to know information and issues in depth about the object of research and can be trusted as a reliable source of data (Sutopo, 2002). In this study the primary data source was the Head of the Integrated Investment and Licensing Services Office of the Mahakam Ulu Regency and several parties related to investment, such as: the manager, the community around the village, and around existing tourist attractions.
- Secondary data sources, data obtained from other sources indirectly, which can be obtained through official documents relating to the development of investment resources, infrastructure, and excellent tourism products nationally, supporting records, and literature, library books, documentation, archives, and other information relating to research problems that are used as a complement or support of primary data.

3.4. Data Collection Technique

According to Sugiyono (2013), data collection techniques are field research, carried out by conducting direct observations on agencies that are the objects to get primary and secondary data. The data collection techniques carried out by researchers include the following:

- Interview, a data collection technique that is carried out by holding communication to informants on the object of research. Interviews are conducted in depth to gather information from informants or people who are considered to know about the issues being discussed in the study.
- Observation, is a data collection technique by direct observation, using hearing senses, and vision of social phenomena and symptoms that occur. This means that the data is obtained by looking, seeing, and observing objects, so that the researcher gets knowledge of what is done.
- Documentation, done by collecting written data that already exists. Written data collection techniques originate from notes, archives, pictures or photos at certain events in the research location, which are

related to research and aim to clarify and support the research process.

3.5. Analysis Model

The analytical method in this study uses an interactive analysis model. This analysis model consists of three activities that occur simultaneously, namely: data reduction, data presentation, and drawing conclusions or verification (Miles & Huberman, 1992). Data analysis using an interactive model in order to achieve research objectives, namely the strategy of the Government of Mahakam Ulu Regency in attracting and developing investment. The final step is how to make the Mahakam Ulu Regency friendly for investors, so the Mahakam Ulu District Government's strategy needs to be developed in attracting and developing investment. This step is a comprehensive step, starting from event planning, promotion, to various marketing strategies that must be carried out.

Furthermore, qualitative Strength, Weakness, Opportunity, and Treath (SWOT) data, can be developed quantitatively through the calculation of SWOT Analysis developed by Pearce & Robinson (1998) in order to know with certainty the true position of the organization. For more details can be seen in the following SWOT matrix diagram:

Tabel-2. Matrik SWOT Analisis dalam Perencanaan Strategi

O-T / S-W	Strength (S) Identification of forces	Weakness (W) Identify weaknesses
Opportunity (O) Identification of opportunities or opportunity	SO strategy: Use power to take advantage of opportunities	WO strategy: Overcome weaknesses by taking chances
Threat (T) Identification of threats	ST strategy: Use force to avoid threats	WT strategy: Minimize weaknesses and avoid threats

Source: Rangkuti (2009)

Noted,

- SO strategies are made by utilizing all strengths and all opportunities;
- ST strategies use the strengths of potential sectors to overcome threats;
- The WO strategy is applied based on the utilization of existing opportunities by minimizing existing weaknesses;
- WT strategies are based on activities that are defensive and try to minimize existing weaknesses and avoid threats.

4. Empirical Results

4.1. Regional Government Generic Strategy Plan

Investment development is a policy that carries a broad economic impact, namely an increase in the number of goods and services, the creation of added value, the use of labor, and other economic resources, an increase in community income, as well as a source of regional income in the form of taxes, and levies. The development of investment in the regions, in addition to increasing regional economic capacity which will directly improve the welfare of the community in general, will also have a positive impact on increasing regional fiscal capacity.

The basic concept of investment development is certainly directed at increasing productivity in the aggregate. To achieve this, conducive investment climate support is needed, including:

- There is certainty, stability and security;
- Macroeconomic stability (inflation, interest rates and exchange rates, a sustainable monetary and fiscal system);
- Bureaucratic reform, taxation, policies, rules;
- Provision of adequate infrastructure (electricity, water, ports, roads, etc.);
- Labor that refers to productivity;
- Human resources, education, health, discipline, motivation;

- Each region must focus on the superior industrial sector;
- Establish synergistic cooperation between regions.

Investment development activities are closely related to the achievement of regional economic development goals in Mahakam Ulu Regency which are currently in the development process. The conception of economic development in this area has the following objectives:

- Creating jobs;
- Achieve regional economic stability;
- Develop a diverse economic base.

Employment is needed so that the population has an income to meet their daily needs. In order for employment to be created, conditions needed include the availability of land, capital and infrastructure. Regional economic stability needs to be maintained so that businesses and the public can make various efforts in a planned manner. Economic stability includes low inflation, clear business regulations accompanied by consistent law enforcement, and no security disturbances.

In essence, investment is an activity carried out by the central and regional governments, the private sector, and other institutions both from outside and within the country so that the desired economic growth can be achieved. Put simply, investment activities are income that is spent by companies or government institutions for capital goods that will be used for productive activities. Thus, the role of investment becomes strategic in an economy. Without adequate investment, it is not expected that economic growth is expected, and the improvement of people's economic welfare. The right investment policy is expected to be a trigger for expanding employment opportunities.

4.2. Analysis of Investment Facilitation Policy Needs

The results of the need assessment of the policy needs of providing incentives and ease of investment or investment through policy analysis including risk analysis on the choice of policy types based on document review, interview results and FGD that to attract investors to the region at this time for local governments must first know the desires-want by potential investors. In general, the desires of investors towards the situation in the region include (Fauzan, 2006):

- A conducive investment climate in the form of legal certainty / business;
- Economic, social, political and security stability;
- Ease of service (licensing, immigration, taxation, and land);
- Competitive (fiscal and non-fiscal) incentives; adequate infrastructure; and
- Labor conditions.

Meanwhile, the results of interviews with resource persons of economic actors represented by several entrepreneurs, representatives of the Government Agency of Mahakam Ulu Regency related to investment services, and academics who have competence in the economic field that as stipulated in Government Regulation 45 (article 3) in 2008 that each regional government has discretion in attracting investors and increasing investment through various types of incentives, such as:

- Reduction, relief or exemption of local taxes;
- Reduction, relief or exemption from local user fees;
- Provision of stimulant funds;
- Providing capital assistance.

In addition, efforts to increase investment can also be carried out with facilitating policies related to investment in the form of investment

- Provision of data and information on investment opportunities;
- Availability of facilities and infrastructure;
- Availability of land or location;
- Provision of technical assistance;
- Acceleration of licensing.

Looking at the basic requirements stipulated in the regulation, it appears that in terms of the reasons for providing incentives or providing facilities it will be very easy to determine. Of the 12 basic requirements items, only one

item is needed, so the incentive and convenience policies can be made. Therefore, the loose nature of requirements must be matched with a risk analysis of each choice of policy form (Table 3). Furthermore, policies that can encourage investment in regions other than providing incentives are providing facilities. The analysis of the facilitating policy can be seen in Table 4.

Table-3. Matrix of Policy Analysis on Incentives

Aspect	Fiscal Risk	Technical Risk	Acceptance Public / Investor	Information
Reduction, relief, deliverance local tax	Occur reduction Local Original Revenue in short-term	Need documents New Regional Regulation / revised Regional Regulation	Accepted, however not basic needs	On investment base sector (share and employment)
Reduction, relief, deliverance regional retribution	Occur reduction Local Original Revenue in short-term	Need documents New Regional Regulation / revised Regional Regulation	Accepted, however not basic needs	On investment base sector (share and employment)
Provision of funds stimulant	Enhancement spending/ reallocation the budget shopping	Need documents New Regional Regulation / revised Regional Regulation	Received	On investment base sector (share and employment)
Gift capital assistance	Enhancement spending/ reallocation the budget shopping	Need documents New Regional Regulation / revised Regional Regulation	Received	Realization The institution Guarantee Area on sector investment basis (share and employment)

Source: field survey results (2019)

Table-4. Ease of Policy Analysis Matrix

Aspect	Fiscal Risk	Technical Risk	Acceptance Public / Investor	Information
Provision of data and information investment opportunity	Minimal, part unit activities technical	Continuous update data, upgrade information technology	Received, especially new investors	Data is true (real confirmed)
Provision means and infrastructure	Budget allocation: prioritizing procurement of supporting facilities investment	Real assessment needs the means by which pushes investment	Received	-
Provision land or location	Potential for change income	Best value valuation use assets	Received	Optimization regional assets
Gift technical support	Budget allocation: technical assistance activities	Specialized staff facilitation investment	Received	-
Acceleration giving licensing	Routine budget	Support outlets investment, New regulation	Received	-

Source: field survey results (2019)

4.3. Formulation of Investment Development Strategic Policy

The strategic policy to be carried out related to investment development through the provision of incentives and investment facilities in the regions as stipulated in the Government Regulation of the Republic of Indonesia Number 45 of 2008 can be sharpened in the choice of strategic policy through the SWOT method. Based on the

results of the document review, deep interviews with stakeholders, and the results of input in various interviews, the formulation of all aspects in the SWOT matrix analysis (Table 5).

Based on the SWOT formulation, it is necessary to identify strategic issues that will become a reference in the formulation of strategic policies in the context of developing investment activities in Mahakam Ulu Regency which are tested using Litmus Tests. The results of the analysis of these strategic issues can be classified into several strategic policy formulations for providing incentives and facilitating investment in Mahakam Ulu Regency, namely:

- Making convenience policy choices rather than providing incentives because of limited fiscal capacity;
- Arranging local regulations as a legal umbrella in the ease and investment incentive policies;
- Optimizing integrated licensing agencies for the management of investment licensing authority through the provision of information data and acceleration of licensing;
- Optimizing regional assets in providing ease of land provision;
- Optimizing agency routine programs for data updates, technical guidance;
- Increase the carrying capacity of facilities and infrastructure for investment;
- Develop information technology-based capital security information systems.

Based on the real fiscal conditions of the region, both at the provincial level and the Mahakam Ulu Regency, in general there is an increase in the fiscal value but in terms of greater spending, so it tends to adopt a fiscal deficit system. Implications related to policies encourage increased investment in the region, the logical choice that is quickly made is the policy pattern in the form of convenience, both in terms of licensing and facilitating other needs needed by investors without having to spend excessive budget allocations.

Each regional policy will be more effective if there is a strong legal umbrella. Related to the policy of facilitating the acceleration of the increase in investment value also requires a legal umbrella, in this case in the form of a Regional Regulation. Related to the process of drafting a perda, it can be done at the executive's suggestion or from a legislative initiative. The process is relatively fast and will get strong support from the public, so the initiative mechanism of the council to propose regulations on incentives and ease of investment becomes a more strategic choice. Meanwhile, from the executive side it can help in preparing academic texts, so the process will be synergistic and effective.

Optimizing integrated licensing agencies for managing investment licensing authority through the provision of data and information, and accelerating licensing. The existence of integrated service offices that are already owned at the provincial level that begin to improve progressively, need to be supported for the provision of reliable information technology-based (IT) information systems. With IT-based services, all processes of providing information, data and online services can be realized to support excellent service.

Empowering regional assets in facilitating the provision of land. The existence of these assets, both those controlled by the Government and the Mahakam Ulu Regency, is an alternative part to provide facilities in developing investment through the optimization of assets with various patterns of cooperation. Although, in general what is needed by investors is to provide facilities in the provision of accommodating land. Local governments can exercise control over land assets that are in the form of Kampung treasury land and others, but in terms of location the majority are not integrated, so that the area needed by investors is not fulfilled.

Enrich the agency's routine program for data updates, technical guidance. In relation to data updates and technical guidance, local government organizations have become routine tasks that are distributed according to the duties of each government technical agency. Thus, the actual need for data for investors will be easy to obtain because each of these agencies has a budget and makes data collection and technical guidance a routine task. Problems that arise, sometimes the data is not easily accessible to the public. This will be optimal if the data update is published as one of the contents of the investment information system built.

Develop information technology-based investment information systems. The need for the development of integrated and informative information systems has become a basic requirement for each regional government to provide public services in the digital era. Through reliable information technology, local governments will easily, quickly and informally present information, communication, and service processes related to investment and business development. With an online service system, it will relatively guarantee transparency and avoid the process of adding unofficial costs that are still impressed by the public, especially business operators that the high-cost economic practices are still thick in bureaucratic services even though the process of bureaucratic reform is sure to be carried out.

Tabel-5. SWOT Matrix for Providing Incentives and Ease Policies Invest in Mahakam Ulu

EFAS	IFAS	Strength (S) 1. Choosing an integrated licensing agency. 2. Having various assets area that can be optimized for investment. 3. Have a routine program for data provision and opportunity information investment.	Weakness (W) 1. Limited regional fiscal performance. 2. Not yet have a Local Regulation incentive and investment ease. 3. Weak synchronization cross-agency programs in supporting investment. 4. IT Implementation still limited in licensing services and investment promotion. 5. Land owned by local government which potential for investment the location is fragmented. 6. Capacity and competence limited human resources for technical assistance.
	Opportunity (O) 1. Government policy the delegate more authority on local government in licensing investment. 2. Granting policy incentives and conveniences investment (Government Regulation of the Republic of Indonesia Number 45 of 2008).	SO strategy: 1. Optimizing agencies integrated licensing for authority management investment licensing through data supply and information, acceleration licensing. 2. Optimizing assets regions in providing facilities for land provision. 3. Optimizing the program agency routine for data update, fast technical.	WO strategy: 1. Make a choice convenience policy rather than giving incentives, due to limited fiscal capacity. 2. Arranging Regional Regulations as legal umbrella in convenience policy as well as investment incentives.
Threat (T) Other regional policies and other countries that are "aggressive" in investment promotion.	ST strategy: Increase carrying capacity facilities and infrastructure for investment.	WT strategy: Doing development based information system information technology.	

Source: field survey results (2019)

5. Conclusions

The regional government has drafted a spatial allotment draft for various economic activities of all business fields, both in the broader agricultural sector, mining and quarrying, property, protected forest and residential designation areas in the regional spatial plan, and the investment process follows a spatial pattern designed by the government of the Mahakam Ulu Regency.

The results of the analysis of investment strategies in terms of strategic policies, emphasize the choice of policies to provide various investment facilities rather than providing incentives.

In order to attract new investment and encourage increased investment through the provision of incentives and investment facilities, the strategic policy aspect emphasizes the choice of policies to provide various investment facilities rather than providing incentives. The Government of Mahakam Ulu Regency needs to prepare the investment profile of the predetermined superior sector, as a marketing tool in the process of dissemination to investors.

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