

TERTIARY SECTOR INVESTMENT LAW DEVELOPMENT IN INCREASING ECONOMIC GROWTH IN KUPANG CITY

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ABSTRACT

The economic growth of Kupang City over the last five years (2018-2021), has been fluctuating. The rate of economic growth in Kupang city in 2018 of 6.59 percent, then slowed in 2019 of 6.04 percent. In 2020 a decrease of 2.05 percent and in 2021 an increase of 1.10 percent. The decline that occurred in 2020 was influenced by the decline in production in almost all the fields of enterprise due to the outbreak of Covid-19. This study was conducted in Kupang City because Kupang City is the capital of the NTT Provincial Government and has become the center of goods traffic, services, and the center of NTT regional development. In general, the sectors that can stimulate economic growth are divided into three sectors, the primary sector, the secondary sector and the tertiary sector. The methods used are the Location Quotient (LQ) method and the normative investigation with legal and conceptual approaches. The results of the research show that the sectors and potential areas of Tertiary fields belonging to the base sector or potentially with an average index of $LQ > 1$ are: (a) Wholesale and Retail; Repair of Automobile and Motorcycle with average index LQ of 3.17 and ranked first; (b) Provision of Accommodation and Drinking with average LQ index of 1.84; and (c) Services of the Company with average Index LQ is 1.53. Harmonization of various Regional Policies Related to Investment in the Tertiary Sector is reflected in the programme priorities in the 2007-2025 RPJPD document there are government commitments in Vision and Mission, the 2017-2022 RPJMD document is more focused on Economic Development directed at sectors that contribute to high economic output and absorption of large numbers of labour. RTRW/ RDTR Kupang City 2011-203, has undergone changes and displacement of space functions not in accordance with the established WBK.

Keywords: Investment, Economic Growth and Tertiary Sector

INTRODUCTION

The spirit of regional autonomy based on Law Number 23 of 2014 concerning Regional Government (UU Pemda) which directs the acceleration of the realization of community welfare through improvement, services, empowerment and community participation, as well as increasing regional competitiveness by taking into account the principles of democracy, equity, justice, privileges and specificities of a region, so that each Regional Government is required to be able to develop the various potentials of its region.

Efforts to improve community welfare by autonomous regions (regencies/municipalities) can be carried out through strengthening the regional economy and increasing regional own-source revenue (PAD). Generally, there are three ways taken by local governments, namely; *First*, increasing local taxes and levies. *Second*, exploiting natural resources, and *third*, working on local potential by attracting investors and fostering community business opportunities. Welfare levels are important because they are aimed at reducing the poverty rate in the region and are expected to increase local economic growth (Mubyarto, 2009).

A good investment climate is one that provides benefits to the community. In creating a favorable investment climate, local governments are faced with the issue of how to deal with the fundamental challenges of development and what are the key success factors to overcome these challenges. Likewise, in the development of Kupang City, the local government has made efforts to attract investors, both foreign investors (PMA) and domestic investors (PMDN) to invest in Kupang City. Attracting investors to the region is expected to have a positive impact on the development of the regional business world in order to spur regional economic growth which will lead to an increase and equitable distribution of the welfare of the people of Kupang City.

The economic growth of Kupang City over the past five years (2018-2021) has fluctuated. The economic growth rate of Kupang City in 2018 was 6.59 percent, then experienced a slowdown in 2019 of 6.04 percent. In 2020 it decreased by -2.05 percent and in 2021 it increased by 1.10 percent. The decline that occurred in 2020 was influenced by the decline in production in almost all business fields due to the Covid-19 outbreak.

In general, sectors that can spur economic growth are divided into three sectors, namely the primary sector, secondary sector and tertiary sector. The primary sector is a sector related to economic activities based on the processing of natural resources, such as agriculture, fisheries, forestry, and mining. This sector is often referred to as the agrarian sector or extractive sector, the secondary sector is a sector related to the processing of raw goods into finished goods or products, such as the processing industry, manufacturing, and construction. This sector is often referred to as the industrial sector. While the tertiary sector is a sector related to service activities, such as trade, financial services, health services, tourism, and education. This sector is often referred to as the service sector. The tertiary sector has somewhat different characteristics from other production sectors. The output of this sector is not in the form of goods, but services provided and enjoyed by other parties.

This study was conducted in Kupang City because Kupang City is the capital of the NTT Provincial Government and has become the center of goods traffic, services, and the center of NTT regional development. Based on the economic growth data of Kupang City above, this study looks more at the economic growth of the tertiary sector and which business sectors in the tertiary sector are the leading bases and the alignment of local government policies related to the tertiary sector. There are two research objectives, namely: First, to analyze the economic growth of the tertiary sector which is the leading sector or base in encouraging investment in Kupang City; second, to analyze local government policies related to the tertiary sector. The methods used are *Location Quotient* (LQ) method and normative legal research.

The main function of LQ analysis is to find out which sectors in a region are superior (commodities) and which sectors are not superior by comparing the distribution of each district or city with the province. Systematically the LQ calculation is expressed as follows:

$$LQ = \frac{R_i/R_t}{N_i/N_t} \quad (1)$$

Where:

R_i = GRDP of sector i of Kupang City

R_t = Total GRDP of Kupang City

N_i = GRDP of sector i of NTT Prov

N_t = Total GRDP of NTT Provinc

From this formula, the results of the Location Quotient analysis calculation can be categorized into 3 (three), namely:

- a. If LQ>1, then the sector in question at the city/district level is more specialized or dominant than at the provincial level. This sector in the economy at the city/district level has a comparative advantage and is categorized as a leading sector.
- b. If LQ=1, then the sector in question both at the city/district level and at the provincial level has the same level of specialization or dominance.
- c. If LQ<1, then the sector concerned at the city/district level is less specialized or less dominant than at the provincial level. This sector in the economy at the city/district level does not have a comparative advantage and is categorized as a non leading/non base or non potential sector.

While normative research methods using qualitative analysis. document study research using primary legal materials, secondary legal materials and tertiary legal materials.

LITERATURE REVIEW

Investment Theory

Some of the theories below illustrate the existence of variants of thought in understanding investment policies that can be chosen as the basis for considering investment law policies in terms of state interests and sovereignty (Lusiana, 2012).

- a. Neo-Classical Economic Theory This theory argues that Foreign Direct Investment (FDI) has a positive contribution to the economic development of the destination country. Facts show that foreign capital brought to the destination country encourages domestic capital to use it for various businesses. In line with Sornarajah's conclusion, foreign investment as a whole is beneficial or beneficial to the destination country so as to encourage economic growth and national development.
- b. Dependency Theory, This theory is diametrically opposed to classical economics which argues that foreign investment does not have any meaning for economic development in the destination country. They argue that *foreign investment* suppresses economic growth and creates income imbalances in the destination country. This theory argues that *Foreign Direct Investment* appears to be a threat to the sovereignty of the destination country and to the freedom of development of social and cultural life because foreign investment tends to expand jurisdiction using the influence of foreign government power over the destination country so that the political influence of foreign investment on the destination country is quite large.
- c. The Middle Path Theory, Many developing countries develop regulations including screening in licensing and providing incentives through investment policies. According to this theory, foreign investment has positive aspects and negative aspects for the destination country, therefore the destination country must be careful and wise. Prudence and discretion can be exercised by developing fair regulatory policies.
- d. State/Government Intervention Theory, Supporters of this theory argue that the protection of infant industries in developing countries from competence with industries in developed countries is essential for national development. This theory sees the importance of an autonomous state role that directs economic policy steps including investment, the role of the state is believed to be able to intervene in the market to correct market imbalances and provide protection to infant industries, community interests, domestic entrepreneurs and environmental protection. The role of the state can also provide protection for the interests of investors including foreign investors.

Some of the theories above at least illustrate the existence of variants of thought in understanding investment policies that can be chosen as the basis for considering investment law policies in terms of state interests and sovereignty. When looking at Indonesia's current conditions, foreign investment is needed because it can help increase state revenue, improve the community's economy, and local revenue; thus the classic theory can be applied in order to bring foreign investors to Indonesia by paying attention to the application of the *State/Government Intervention Theory* which aims to protect state sovereignty and the interests of foreign investors.

The objectives of the implementation of Investment contained in Article 3 paragraph (2) of Law Number 25 Year 2007 are, among others, to: a. increase national economic growth; b. create jobs; c. increase sustainable economic development; d. increase the competitiveness of the national business world; e. increase national technological capacity and capability; f. encourage the development of the people's economy; g. process the potential economy into real economic power by using funds originating, both from within the country and from abroad; and h. improve people's welfare.

Economic Growth

Economic growth is an increase in the production of goods and services in an economy from the previous period as a result of several determinants so that domestic income increases. Sukirno (2011) states that economic growth can be interpreted as the development of economic activity which causes the production of goods and services in society to increase so that people's prosperity increases. The economy is considered to be growing if the real value of goods and services produced or the real added value obtained by the economic unit is greater than in the previous year. Economists have conducted several studies to determine the factors that are determinants of economic growth. Zagler (2009) states that

Economic Sector

Based on business fields, economic sectors in the regional economy that contribute to GRDP or economic growth can be divided into three groups (Sukirno, 2006):

- 1) Primary Sector
The primary sector, which consists of agriculture and mining, has a strategic role in determining the sustainability of other sectors, namely the secondary sector and the tertiary sector. This is because the primary sector produces output in the form of raw goods or goods that are ready to be reprocessed.
- 2) Secondary Sector
This sector includes the manufacturing sector, the electricity, gas, and water supply sector, and the construction sector. The activity of the secondary sector is to process raw goods so that they have added value and are ready for consumption. This sector has an important role in the economy, as high productivity will increase the demand for labor.
- 3) Tertiary Sector
The tertiary sector has an important role in the economy today. Business fields in this sector are increasing every time, so that the contribution made by this sector to GRDP is getting bigger. One of the factors driving the increasing contribution of the tertiary sector is innovation. With the emergence of innovations or new ideas in economic activities, it will meet the demand of consumers who always want something new. The tertiary sector consists of trade, hotels and restaurants, transportation and communication, finance, real estate and corporate services, and other services.

ANALYSIS AND DISCUSSION

Tertiary Sector and Potential in Kupang City.

According to the nature and characteristics of its activities, the economy of a region can be classified into three major groups, namely the primary, secondary and tertiary sectors. The primary sector includes all economic activities that rely on nature, such as agriculture and mining. Meanwhile, the secondary sector is a sector whose main characteristic is the processing of a good into another good, which has a higher value than the value of the previous good. Meanwhile, the tertiary sector is a sector whose activities provide services or services to facilitate other parties in carrying out their activities.

The tertiary sector is characterized somewhat differently from other production sectors. The output of this sector is not in the form of goods, but services provided and enjoyed by other parties.

The implementation of government in the field of development is basically the key to the successful development of local economic potential to strengthen regional competitiveness. (Muktianto, 2005) that a common approach in the development of regional potential by examining the components of Gross Regional Domestic Product (GRDP), human resources components, technology and institutional systems (Sumihardjo, 2008). In reviewing GRDP, it is done to determine the potential of base and non-base. An area that has advantages provides its own distinctiveness that does not exist in other areas, so that the leading sector can be said to be a base activity (Triyuwono & Yustika, 2003).

By using the amount of East Nusa Tenggara Province GRDP in the Tertiary sector and Kupang City GRDP in the Tertiary sector, the LQ value will be obtained. The results of the calculation of LQ -0 Kupang City during the 2020-2021 period. can be seen in table 1 below.

Table 1, Location Quotient (LQ) Analysis Results 2020-2021

No.	Sector	Year		Average	Rating
		2020	2021		
1	Wholesale and Retail Trade; Repair of Cars and Motorcycles	3,19	3,15	3,17	1
2	Transportation and Warehousing	1,01	0,98	1,00	8
3	Provision of Accommodation and Drinking Meals	1,86	1,82	1,84	2
4	Information and Communication	1,13	1,15	1,14	7
5	Financial and Insurance Services	1,17	1,16	1,16	5
6	Real Estate	0,85	0,82	0,84	10
7	Company Services	1,52	1,54	1,53	3
8	Government Administration, Defense, and Compulsory Social Security	0,40	0,39	0,39	11
9	Education Services	0,94	0,94	0,94	9
10	Health and Social Services	1,21	1,18	1,19	4

11	Other Services	1,15	1,14	1,15	6
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Source: Kota Kupang Dalam Angka 2022 (Data Processed)

From the table above, it can be seen that in the Kupang City area during the 2020-2021 eriod, the Tertiary Sector and Regional Potential which is classified as a basic or potential sector with an average LQ index > 1 is:

1. Wholesale and Retail Trade; Car and Motorcycle Repair with an average LQ index of 3.17 and ranks first;
2. Provision of Accommodation and Drinking Food with an average LQ index of 1.84;
3. Corporate Services with an average LQ index of 1.53;
4. Health Services and Social Activities with an average LQ index of 1.19;
5. Financial and Insurance Services with an average LQ index of 1.16;
6. Other Services with an average LQ index of 1.15; and
7. Information and Communication with an average LQ index of 1.14

Sectors that have the same level of specialization or dominance with an average LQ=1 index are: Transportation and Warehousing sector with an average LQ index of 1.00. The sector both at the city/district level and at the provincial level has the same level of specialization or dominance.

Meanwhile, the non-potential sectors with an average LQ index of <1 are: Education Services with an average LQ index of 0.94; Real Estate with an average LQ index of 0, 84; and Government Administration, Defense, and Compulsory Social Security with an average LQ index of 0.39.

Tertiary Sector Productivity and Economic Growth High tertiary sector productivity can be the key to economic growth as the share of tertiary sector in the economy increases. High tertiary sector productivity indicates that tertiary sector labor is able to produce service products more efficiently and with higher value. Therefore, an increase in tertiary sector productivity can increase economic growth (Pramudya Kusuma, et al. 2021).

Regional Policies Related to the Tertiary Sector.

The development of superior sectors owned by the region is reflected in the vision and mission of the region as stated in the regional long term development plan (RPJPD) and regional medium term plan (RPJMD). In addition, the regional budget (APBD) must reflect development programs and goals. Because a plan will be operational if the budget is available (Nailatul Husna, et al, 2013). The Kupang City Government's support for the development of the special economic ontential of the Tertiary sector is reflected in the program priorities in the RPJPD document 2007-2025 and the RPJMD document 2017-2022 and the Kupang City Spatial Plan 2011-2031.

1. Regional Regulation of Kupang City No. 01/2008 on the Regional Long-Term Development Plan (RPJPD) of Kupang City 2007-2025;

The vision for the long-term development of Kupang City 2007-2025 is an advanced, independent, fair and prosperous Kupang City. Meanwhile, one of the missions of Kupang's long-term development 2007-2025 is: Realizing an Empowered Society. One of the work programs to support the mission of realizing an empowered society is to increase efficiency and economic growth by (RPJMD, 2017):

- a. While some of the city's residents have devoted their energies to the tertiary sector, others are still in the primary and secondary sectors. Kupang's economic development over the next twenty years will require significantly accelerated growth in all sectors and synergy between the three sectors of primary, secondary and tertiary. The logic of transforming the energy of change between sectors is the choice of sector integration; and
- b. Revitalization of agriculture, industry and trade, especially increasing the role of the services sector, continues to be carried out in order to increase regional growth and community welfare. The transformation and rationalization of traditional to modern agricultural development is an option to increase the role of the sector as GRDP as well as other sectors/.

The RPJPD document shows that the local government is well aware of the importance of the tertiary sector, so it needs to be encouraged with careful policy planning so that this sector can contribute to local revenue and have an impact on the lives and economic improvement of the community.

2. Kupang City Regional Regulation No. 1/2018 on the Regional Medium-Term Development Plan of Kupang City 2017-2022;

The vision of Kupang City is "The realization of a livable, smart, independent and prosperous Kupang City with KKN-free governance". While the mission related to the development and improvement of the community's economy is found in Mission 2, namely Developing a Competitive Kupang City Economy by Increasing the Role of the Private Sector (KUPANG MAKMUR).

Economic development should be directed towards sectors that contribute to high economic output and a large number of workers. In light of this, micro-enterprises and cooperatives, access to licensing services, tourism, and cooperation with other regions should be considered in order to develop the economy of Kupang City. In order to realize Mission 2, the following integrated planning is formulated (RPJMD., 20170-2022):

Figure: 1 Mission 2 Integrated Planning Logframe



The picture above explains about integrated planning, both program integration and integration of Regional Apparatus Organizations (OPD) in charge and handling the program. With this integrated handling, it is hoped that it can achieve the goal of better community economic development and services to the community, especially licensing.

The target achievement of investment in the RPJMD document until 2022 can be seen in table 2 below.

Table 2. Target of Investment Achievement

No	Investment and Licensing	Performance Condition at the Beginning of RPJMD Period	Target Achievement Every Year					Performance Condition at the End of RPJMD Period
			2018	2019	2020	2021	2022	
1.	Realization value PMA and PMDN (in Billion Rupiah)	500 M	600M	800M	1 T	1.2T	1.4T	1.4 T

Source: RPJMD Kota Kupang 2017-2022

Kupang City's Investment and One-Stop Integrated Service Office (DPMPTSP) in 2021, releases sector service sector invested the most in Kupang City. The total realization reached IDR 1.3 trillion, up 112 percent from the target of IDR 1 trillion in 2020 (Viktory News, 2020).

Based on the results of the Location Quotient (LQ) analysis, it can be seen in detail that the service sector or tertiary sector contributes to investment in Kupang City, based on calculations there are three sectors that have the highest average to be Sectors and Regional Potential classified as basic or potential sectors with an average LQ index > 1 are:

1. Wholesale and Retail Trade; Car and Motorcycle Repair with an average LQ index of 3.17 and ranks first;
2. Provision of Accommodation and Drinking Food with an average LQ index of 1.84; and
3. Corporate Services with an average LQ index of 1.53.

With this basic sector, the local government also needs to make efforts to encourage it with various policy programs so that this sector can develop well.

3. Kupang City Regional Regulation No. 12/2011 on the Detailed Spatial Plan of Kupang City Region 2011-2031.

The development of an area is inseparable from a good spatial layout. The following are the Regional Divisions and Functions of the Kupang City Regional System:

1. BWK I covers parts of Kelapa Lima Sub-district, Kota Raja Sub-district, parts of Kota Lama Sub-district, parts of Oebobo Sub-district, parts of Alak Sub-district and parts of Maulafa Sub-district with the BWK Center located in Naikoten I Village, with the function of having a development direction as a trading area, Fish Landing Base (PPI), provincial government area, health service area and residential area, tourism area and coastal reclamation with high intensity activities;
2. BWK II covers parts of Kelapa Lima Sub-district and parts of Oebobo Sub-district and parts of Kota Lama Sub-district with the BWK Center located around the Oebobo Market area, Fatululi Village, has a development direction

- as a city government service area, trade, tourism and coastal reclamation areas and settlements with high intensity activities;
3. BWK III covers part of Kelapa Lima Sub-district, part of Maulafa Sub-district and part of Liliba Village in Oebobo Sub-district with the BWK Center located at the T-junction of Oesapa and Oesapa Barat Villages (Undana Roundabout), has a development direction as a higher education development area, trade and services, air and land transportation service centers, tourism areas, coastal reclamation, and medium density residential areas;
 4. BWK IV covers part of Kecamatan Alak and a small part of Kecamatan Maulafa with the BWK Center located in Kelurahan Alak, has a development direction as an industrial development area, warehousing, Monapolitan strategic area, fishing port, tourism, coastal reclamation, settlements, and Tenau Diesel Power Center and landfill;
 5. BWK V covers part of Maulafa Sub-district as well as parts of Liliba Village and Oebufu Village in Oebobo Sub-district with the BWK Center in Kolhua Village, has a development direction as a medium density residential development area, trade and services;
 6. BWK VI covers Naioni Urban Village, Alak Sub-district and Fatukoa Urban Village, Maulafa Sub-district with the BWK Center located in Naioni Urban Village, has the direction of limited settlement development, agropolitan areas, cemetery areas and conservation areas for water catchment purposes; and
 7. BWK VII covers parts of Sikumana Urban Village, parts of Bello Urban Village, and parts of Kolhua Urban Village in Maulafa Sub-district and parts of Alak Subdistrict with the BWK Center located in Bello Urban Village, has a development direction as a limited settlement development area, agropolitan area and conservation area for the benefit of securing the Kolhua Dam plan catchment area.

From the division of the development direction of the function of the City Region consisting of BWK I - BWK VII, there has been a change or shift in function where almost the entire upanga City area, especially the strategic area located on the protocol road, has been filled with tertiary sector businesses, especially Wholesale and Retail Trade; Car and Motorcycle Repair, Accommodation and Drinking Food Provision and Corporate Services businesses. So that there needs to be a change or review of the function of space utilization in the Kupang city area.

CONCLUSION

The conclusions in this paper are:

1. Sectors and Regional Potential of the Tertiary Sector in Kupang City.
Sectors and Regional Potential of the Tertiary Sector that are classified as basic or potential sectors with an average LQ index > 1 are: a). Wholesale and Retail Trade; Car and Motorcycle Repair with an average LQ index of 3.17 and ranks first; b). Accommodation and Drinking Food Provision with an average LQ index of 1.84; and c). Corporate Services with an average LQ index of 1.53.
2. Alignment of Various Regional Policies Related to Tertiary Sector Investment.
The Kupang City Government's support for the development of the special economic potential of the Tertiary sector is reflected in the program priorities in the RPJPD document 2007-2025 and the RPJMD document 2017-2022 and RDTR Kupang City 2011-2031.
 - a. In the RPJPD document, the vision for the long-term development of Kupang City 2007-2025 is an advanced, independent, fair and prosperous Kupang City, while the mission: Realizing an Empowered Society. One of the work programs to support the mission to create an empowered society is to increase economic efficiency and growth.
 - b. The RPJMD of Kupang City focuses more on economic development directed at sectors that contribute to high economic output and employment in large numbers, namely in the sector: Wholesale and Retail Trade; Car and Motorcycle Repair; b). Provision of Accommodation and Drinking Food; and c). Company Services. which has been proven to increase the value of Investment realization.
 - c. The RDTR of Kupang City has undergone changes and shifts in spatial functions that are not in accordance with the established WBK.

Suggestions

Based on these problems, the researcher's suggestions are

1. The Kupang city government should further optimize sectors classified as basic or potential sectors and develop other service sectors.
2. The Kupang City Government further optimizes programs that support the economic growth of the community, especially providing assistance and stimulus to MSMEs and facilitating licensing.
3. With the changes and shifts in the function of WBK, the Kupang City Government needs to make changes or review the function of spatial utilization in the Kupang city area.

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