BUSINESS PERCEPTION IN CENTRAL JAVA
(The Study of Competitiveness Surveys)

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Abstract

This study is a qualitative content analyzes to the results of Central Java regional competitiveness surveys and its diagnostic workshops related to investors' perceptions of the business climate. It is relevant to region or districts/cities in attracting investment. The perception of a favourable business climate will be a lever for improving investment performance. The investors still face several problems that are considered to be able to inhibit increased investment in Central Java, namely related to taxation, competition and business licensing, employment, infrastructure, government performance, and informal or illegal fees (extortion). It is significant because, in addition to summarizing the results of the business climate perception, it also conducts a review of the surveys so that they are sharper, more meaningful, and more easily understood by the investors and local governments. Investors also assess that the weaknesses of government performance are mainly due to lack of coordination. Sectoral egos still infect elements of government. Coordination is the key to the success of an area to increase investment, because if this problem disappears, then other problems can be reduced or eliminated. The government needs to create a culture of coordination, both internal and external, and eliminate sectoral egos, that the investment problem is not only the responsibility of the OPD that deals directly with investment, but is the responsibility of all elements in government. Excellent coordination and loss of sectoral ego will build positive investor perceptions of the business climate, which will ultimately encourage investment into the region.

Keywords: perception, investor, competitiveness, business climate.

INTRODUCTION

The business perception referred to this paper is the response of investors to the business climate or business environment. In the matter of competitiveness and investment performance of a region, business perception is significant. The perception will influence the efforts of an area to attract investor.

In connection with the business perception, the author becomes the organizing committee (OC) coordinator of surveys on regional competitiveness in Central Java Province. The series of surveys are Business Climate Survey (2007), Regional Competitiveness Survey (2010), Snapshot Survey (2011), Investment Survey (2012), Regional Competitiveness Survey (2013), Regional Leadership Survey (2014).

The steering committees (SC) consist of government and private institutions in Central Java, namely Dinas Penanaman Modal dan Pelayanan Terpadu Satu Pintu – DPMPTSP (the One-Stop Investment and Services Office), Badan Perencanaan Pembangunan Daerah - Bappeda (Regional Development Planning Agency), Bank Indonesia Jateng (Central Java Indonesia Bank), Budi Santoso Foundation (BSF), and GIZ-Red (Indonesia-German cooperation institution). This activity is a concrete manifestation of public-private dialogue and public-private partnerships as an effort to improve the competitiveness of districts/cities in Central Java.
The surveys capture districts/cities in Central Java, with six sub-indexes, namely: business perception, economic performance, business dynamics, infrastructure capacity, government performance, and investment performance.

The business perception sub-indexes taken entirely primary data, which is the result of direct interviews with investors, including an assessment of the businesses on the condition of the business climate and investment of an area and its prospects in the future. The indicators are the main obstacles to business, business conditions compared to the previous two years, estimated business conditions in the next two years, the percentage of membership in business organizations. Also, the consistency of government officials' behaviour, the number of problematic regulations, the need for "unofficial costs" (illegal levies), and business environment assessment. This study will analyze three indicators, namely the main problems faced by investors, the problematic regulations, and the unofficial costs (illegal levies).

The economic performance sub-index measures the performance of the macroeconomic system, with indicators namely the growth of Gross Regional Domestic Product (GRDP), GRDP per capita, growth per capita, unemployment rate, growth in total lending, and the level of non-performing loan (NPL).

Business dynamics are compiled entirely from the results of direct interviews with investors. This sub-index shows the condition of the company's capacity, such as turnover, credit needs, the company's potential to innovate. The indicators are the percentage of businesses under the age of 10 years, the percentage of businesses with a turnover of more than IDR 500 million, funding requirements, the level of loan proposals for innovative companies.

Infrastructure based on statistical data and a small percentage of investor perceptions; assessing quality, access to necessary infrastructure (e.g., district/city roads) and business support institutions (e.g., training institutions and banking). The indicators are paved regional roads/total regional roads, assessment of maintenance and development, number of traditional market per thousand population, number of vocational training institutions and quality assessment, number of financial institutions per thousand population.

Government performance consists of government capacity and government efforts — government capacity measured by statistical data that focus on the capacity of regional fiscal capacity to drive development. The indicators are per-capita budget, regional own-source revenue to total income (in per cent), increase in regional own-source revenue (in per cent), development expenditure per capita, increase in development expenditure per capita. Government efforts include an assessment of the government's efforts to carry out investment promotion, the quality of licensing services, the number of pro-investment regulations based on the perception of the local government itself and the perception of investors. The indicators are a recent study of investment opportunities, investment promotion materials, frequency/quality of exports facilitated by the government. Also, assessment of the quality of government expo, quality of one-stop integrated service performance, percentage of companies that have company registration certificates (Tanda Daftar Perusahaan – TDP), average number of days required to process TPD and company business licenses (Surat Izin Usaha Perusahaan - SIUP), the quality of investment support, investment promotion budget, the number of new regulations related to taxes, permits, incentives, labour and the environment that facilitate investment.

Investment performance was analyzed based on the perspective or opinion of the business community and the government. The indicators are a realization of investment per promotional budget, investment realization per capita, percentage of companies investing, average investment value, average recruitment of workers, percentage of companies investing.
for the next 12 months, investment value per company, average recruitment of workers per company, assessment of regional investment attractiveness.

Each survey result is followed up with a diagnostic workshop in each district/city, dissecting the results of the specific survey for the district/city concerned. Thus, the district/city government and the business community know in detail the conditions of the region, so that they can make the necessary improvements. As the SC coordinator, the author became a speaker of the diagnostic workshop in districts/cities throughout Central Java and related government institutions, even until 2018.

The Regional Competitiveness Survey uses a methodology that applied in several European countries, Vietnam, West Kalimantan, and Papua. Respondents consisted of investors (micro, small, medium, large/manufacturing, services, trade), and elements of the district/city government. There are two types of data obtained in this survey, namely quantitative data (statistics) and qualitative data (business and government perceptions).

The data took from direct interviews conducted by surveyors in all districts/cities throughout Central Java. After data validation and input, the incoming data is processed/analyzed. The result is a ranking of the competitiveness of districts/cities in Central Java.

The surveys not only evaluates the overall factors created by the government that can affect the business climate and business environment, but also the internal efforts and abilities of private groups to innovate and strengthen company competitiveness, for example, the performance of business associations and the performance of the company itself. It is not only sourced from opinion data, both the opinion of government officials and the opinions of investors, but also regional statistical data.

The results of the aggregation of the survey's primary data and secondary statistical data were processed using the software as a basis for calculating the competitiveness assessment index and ranking of 35 districts/cities. The sampling consisted of private (investors) and district/city government official respondents. The distribution of private respondents divided into business scale categories (micro, small, medium, large) and sectors (manufacturing, trade, services). Business scale categories based on the criteria of the Central Bureau of Statistics (Biro Pusat Statistik or BPS) which based on the permanent workforce. Sector categories based on the amount of contribution to the GRDP.

The surveys followed by a 2015 competitiveness survey by the Central Java Bank Indonesia Office in a somewhat different format. It uses indicators that have adjusted to the indicators implemented by the World Economic Forum (WIF), namely: macroeconomics, institutions, business environment, infrastructure, labour efficiency, health and education, financial, and technology.

After the 2015 survey, a survey of regional competitiveness in Central Java had not yet been carried out. Even though the survey essential to spur the spirit of the districts/cities in improving investment performance and regional competitiveness. In that context, the authors conducted a Business Perception Study as a form of concern for efforts to increase investment and regional competitiveness; moreover, President Jokowi has targeted 7% economic growth in Central Java to contribute to the national economy in 2019.

Research Issues

The Study of Business Perception is relevant to districts/cities in attracting investment. The perception of a favourable business climate will be a lever for improving investment
performance. Competition between regions in attracting investment is competition to build perceptions of the business climate, supported by increased competitiveness.

Based on the description in the background, the research problem formulated in the following question format, as follow as: (1) What the main investors' perception of the business climate in Central Java? (2) What the main problem with the increasing investment effort in Central Java? (4) How to build investors' good perception? (5) What the ideal model for increasing investment in districts/cities in Central Java.

Research Purposes

The results of this study can be used as input for the government of Central Java Province and Central Java’ cities/districts to take appropriate steps based on investors' perceptions of the business climate.

So, the purposes of this study are: (1) As a monitoring instrument: Providing monitoring data on regional developments related to business climate change, measuring the investors' perception of the business climate of the regencies/cities and regions, (2) As an instrument of development: Motivating healthy competition between districts/cities and the region, stimulating increased efforts to improve the performance of district/city governments and investors through a healthy competition system, and (3) As input for developing policies: The results of the study can be used by the business community to carry out advocacy to the government in formulating appropriate policies and can be used by the government to make appropriate policy changes.

LITERATURE REVIEW

Overview of Central Java

For readers who are not familiar with the survey area, the following chapter provides a very brief characterization of the Central Java and the territorial areas.

- Surface: 32.544,12 km
- Population: 32.908.850
- Population density: 1011 person/km2
- Economic growth 2006: 4.92%
- Number of districts: 35 districts
- RGDP per capita: IDR 4.120.540,17
- Key industries: manufacturing, trading, hotel and restaurant, agriculture.

Central Java province consists of six cities (Semarang City, Salatiga City, Surakarta City, Magelang City, Pekalongan City, Tegal City and 29 districts (Semarang District, Demak, Kendal, Grobogan, Sukoharjo, Klaten, Karanganyar, Boyolali, Wonogiri, Sragen, Magelang District, Wonosobo, Temanggung, Kebumen District, Banyumas, BanjarNEGara, PurbaLINGGA, Ciracap, Pekalongan District, Tegal District, Batang, Pemalong, Pati, Rembang, Jepara, and Kudus).

Business Perception

There are several definitions of perception. Stephen P Robbins (2003) states that perception is a process taken by individuals to organize and interpret the impressions of the senses to give meaning to the surrounding environment. According to Philip Kotler (2000), perception is the process of a person selecting, organizing, and interpreting information to create a meaningful overall picture. Gibson (1999) explains that perception is a person's cognitive process to be able to interpret and understand the world around him for an object.

Perception is a person's response to such an object. In the context of this study, business perception is the response of investors to the business climate and business environment in a region. The business climate is a condition that affects business activities carried out by investors, both related to government policies and society. The business climate comes from
elements of government, especially regulations, for example, related to licensing, government officials behaviour, unofficial levies. The business climate that comes from the elements of society includes people's behaviour towards business activities, safety factors, also unofficial levies.

**Business Investment**

The business investment is a term with several meanings related to finance and economics. The term relates to the accumulation of an asset in the form of an expectation of future profits. Investment is also often referred to as an investment. In economic theory, investment is a common thing for economic actors to increase income. Of course, investment also carries the risk of failure due to several factors.

The Business Dictionary stated investment is money committed or property acquired for future income. Two main classes of investment are (1) Fixed income investments such as bonds, fixed deposits, preference shares, and (2) Variable income investments such as business ownership (equities), or property ownership. In economics, investment means the creation of capital or goods capable of producing other goods or services. Expenditure on education and health is recognized as an investment in human capital and research and development in intellectual capital. Return on investment (ROI) is a vital measure of an organization's performance.

Investment is an essential factor in improving the economic performance of a region, both at the provincial and city and district levels. Increasing investment will not only grow the economy, but disruption will also opening up jobs, which means reducing unemployment and poverty. These two things (unemployment and poverty) are problems faced by local governments.

Therefore, local governments always try to attract investors to invest in their regions. In this study, business investment means an investment made by entrepreneurs in an area to obtain profits.

**Regional Competitiveness**

In this study, regional competitiveness is the economic capacity of a region (district/city) to achieve the welfare of its people. The ranking of competitiveness between districts/cities referred to as the regional competitiveness index, which is measured based on certain sub-indexes or variables. These variables are the economic performance, perception of the business climate, business dynamics, infrastructure capacity, government performance, and investment performance.

Regional competitiveness becomes more critical in line with increasingly fierce competition in the era of globalization when a district/city no longer only competes with other districts/cities in the country. Regencies/cities in Central Java are now also demanded to be able to compete with similar regions in other countries. The city of Semarang, Wonosobo District, for example, must compete with Singapore, Bangkok, Kuala Lumpur and other cities throughout the world.

The level of competitiveness of an area will also be determined by the comparative advantage and competitive advantage of the region. An area that has a comparative advantage and competitive advantage will have high competitiveness compared to other regions.

**RESEARCH METHOD**

**Research design**

The study of business perception is a study of the results of competitiveness surveys, as mentioned above, especially in the business climate perception sub-index. This study is significant because, in addition to summarizing the results of the business climate perception
sub-index surveys, it also conducts a review of the series of surveys so that they are sharper, more meaningful, and more easily understood by the investors and local governments.

The foundation of the methodology in this study is Qualitative Content Analysis.

The necessary procedure of making a research design and conducting a content analysis study consists of 6 steps, namely: (1) formulating the research questions and conceptual model, (2) sampling the selected data sources, (3) making the categories used in the analysis, (4) data collection of selected sample documents and coding, (5) scaling and items based on specific criteria for data collection, (6) interpretation of the data obtained.

The sequence of steps must be orderly, must not be skipped or reversed. The previous step is a prerequisite for determining the next step. The beginning of the research is the existence of a problem statement or research question that is stated clearly, explicitly, and directed, and can be measured and answered with research efforts.

In that context, the writer chooses the text from the results of a series of competitiveness surveys that relevant to business perceptions and investment performance. The steps taken are: Formulate research questions, namely: how the results of a series of surveys of regional competitiveness especially in the sub-index of business perception, what is the link between the survey results, how are the future investment predictions, what is the investment problem, what is the solution to the problem at hand.

After that, the writer makes a conceptual model, selecting the results of a survey of regional competitiveness, especially those related to business perceptions, making a category of indicators of business perception sub-index, collecting data and coding from the results of the regional competitiveness survey, making a scale, linking data obtained from the results of a regional competitiveness survey. Interpreting data and describing climate conditions and making future predictions based on these descriptions and solutions to existing problems. As a complement to describing the current situation and future predictions, the writer conducts media content analysis related to business perception indicators.

Qualitative content analysis is illustrating the range of meanings of phenomena, describe the characteristics of message content, and identify themes or categories within a body of the text. According to Bryman (2008), the qualitative content analysis comprises a searching out of underlying themes in the texts being analyzed by researchers.

Meanwhile, Shannon (2005) defined qualitative content analysis as “a research method for the subjectivist interpretation of text and data through the systematic classification process of coding and identifying themes or patterns.” Mayring (2000) states, that qualitative content analysis is “an approach of empirical, methodological controlled analysis of texts within their context of communication, following content analytic rules and step-by-step models, without rash quantification.”

Qualitative content analysis allows researchers to understand social reality in a subjective, yet scientific manner; explore the meanings underlying physical messages; and is inductive, grounding the examination of topics and themes, as well as inferences drawn from them, in data (Kaid, 1989; Patton, 2002; Zhang & Wildemuth, 2009). The researcher becomes part of the research conducted. It is not in a vacuum, but instead becomes an element of research, making a subjective interpretation. That is why the authors do not pretend that the results of this study will also apply in other similar studies. The studies conducted are subjective and local, not objective, and generalized.

Forman and Damschroder (2008) posited that the most considerable advantage of qualitative content analysis is “a more hands-on approach to research than quantitative
content analysis.” McNamara (2006) maintained that qualitative content analysis relies heavily on “researcher reading and interpretation of texts.”. The author should note that this is also a disadvantage of qualitative content analysis, as it places a profound emphasis on researcher bias.

Qualitative content analysis, compared against quantitative content analysis, is often referred to as “latent level analysis, because it concerns a second-level, interpretative analysis of the underlying deeper meaning of the data” (Dörnyei, 2007); while the latter is usually described as “manifest level analysis”, providing an objective and descriptive overview of the “surface meaning of the data.”

The techniques of data sampling are different, as the quantitative approach requires random sampling or other techniques of probability to ensure validity, while qualitative analysis uses intentionally chosen texts. There are different products of the two approaches; while quantitative analysis caters for statistical methods and numerical results, the qualitative approach brings descriptions.

The research design described as follows:

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Results of a series of competitiveness

Description of business perceptions

Conclusions and recommendations

Result of diagnostic workshops
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Figure 1. Research Design

**Data collection**

In this study, data were collected by analyzing the results of a series of surveys in the competitiveness of the Central Java region and discussion in the diagnostic workshop, especially the business perception sub-index, namely investor perceptions of the business climate of districts/cities in Central Java. The author compares these results from one survey to another survey to get a picture of trends that occur. The comparison is expected to produce a description of investor perceptions of the business climate, which needed for Central Java to develop competitiveness.

**RESULT AND DISCUSSION**

Investors’ answers in each survey and discussion in the diagnostic workshop showed several problems that often cited as hampering business activities in Central Java. These problems are related to taxation, competition and business licensing, employment, infrastructure, government performance, and informal or illegal fees (extortion).

**Taxation**

Investors say that regulations relating to local taxes and levies as the most inhibiting regulations on investment. This data is an input for the district/city government, that one of the steps to attract investors is the deregulation of local taxes and local levies. The district/city government needs to change the mindset of “just the orientation of pursuing local revenue (Pendapatan Asli Daerah - PAD) through taxes and levies” towards a smarter mindset, namely "pro-investment regulation, which in turn increases PAD."
The amount of tax is the most burdensome factor for investors, followed by the number of tax types, and billing procedures. This data shows that there are quite some investors who object to the amount of local taxes and levies that they must pay in business activities, as well as to the types of local taxes and user fees.

Meanwhile, they state billing procedures, not a significant factor. There are still more investors who consider the amount, type, and procedure, not a burden in terms of local taxes and charges. Even so, the number of investors feel burdened is a signal for district/city governments to simplify local taxes and local user charges, if they want to attract more investment into their regions.

At present, entrepreneurs, especially micro, small, and medium enterprise (MSMEs), are faced with a dilemma. On the one hand, they faced a decrease in people's purchasing power, on the other hand, they are required to obey paying taxes, making it difficult to raise the selling price of the product.

**Competition and Business Licensing**

The statement that business competition as a problem - not a challenge - illustrates the tight competition in Central Java. It also reflects the lack of readiness of some investors, especially the MSMEs, in entering the era of increasingly sharp competition.

In several diagnostic workshops, it revealed that increasingly fierce competition influenced by the emergence of online businesses. An expedition businessman based in the Port of Tanjung Emas in Semarang, for example, complained about the presence of online businesses operating in the same area but merely running their businesses with laptops without having to pay employees, taxes, and business offices.

The same thing was also complained by taxi entrepreneurs who were rivalled by Gojek and Grab online taxis. A well-known taxi entrepreneur from Jakarta, in a workshop, told of the difficulties of facing competition with online taxis and finally, he collaborated with Gojek.

At the level of MSMEs, competition is also increasingly sharp. A culinary entrepreneur tells of the difficulties of finding land/places to open shanties every time there is a car-free day around the Simpang Lima Field in Semarang. The competition is further compounded by competition in selling prices.

Other regulations considered to be hindering are regulations relating to investment licenses (principle licenses, permits, and permit extensions), business registration such as Company Registration Certificates (TDP), Building Construction Permits (IMB), Trade Business Permits, Disturbance Licenses (HO - Hinder Ordonantie), and Permanent Business License (Izin Usaha Tetap - IUT). Even though the One Single Submission (OSS) policy has implemented, some investors consider that there are still weaknesses. A concrete example is when the initial implementation of the policy, it often happens that investors find difficulties to fill in the permit form online and do not get adequate services.

**Employment**

The results of the surveys indicate that the recruitment of workers is a problem that must be faced by investors. In a diagnostic workshop, an investor who opened a garment factory in Boyolali claimed he had difficulty finding female workers. According to her, most women in the area prefer to work in air-conditioned malls, be able to work while playing cell phones or become women workers (Tenaga Kerja Wanita - TKW) abroad. The same thing was told by investors who opened a wig factory in Purbalingga area.
These findings indicate that there has been a change of the workforce behaviour, especially millennials in Central Java, or possibly in Indonesia. Several investors stated that it is currently challenging to find workers who have commitment and responsibility towards the company they work.

There is a gap between investor needs for labour and the availability of workers who have the expected competence. It has illustrated by the fact that, although there are still relatively many unemployed, investors have difficulty finding workers. The link and match program, which is a match between labour skills and the needs of investors, has not been implemented well.

That is why the government needs to develop more education and vocational training centres that produce competent graduates according to investors' needs. These steps have been carried out, among others by establishing community academies and vocational education in several areas. One of them is the Furniture Industry Polytechnic in the Kendal Industrial Zone (Kawasan Industri Kendal - KIK), which will supply labour for the furniture industry in the region.

The investors said that regulations related to Minimum Wages, both Provincial Minimum Wages (Upah Minimum Provinsi - UMP) and District/City Minimum Wages (Upah Minimum Kabupaten/Kota – UMK), affect business activities. Investors find it difficult to determine the UMP/UMK, which is considered high due to their limited ability in the era of intense business competition and unfavourable economic conditions.

One investor from South Korea compared the ease of investing in Central Java and the ease of investing in Vietnam. According to him, Vietnam provides investors with ease and comfort, among others in terms of labour regulations, low labour costs, no labour demonstrations that threaten investors, land provision, tax relief. Therefore, he built a factory in Vietnam, in addition to also having other businesses in Central Java.

**Infrastructure**

Regarding infrastructure, the investors welcomed the government's efforts in the construction of toll roads in various regions. The development is considered to smooth the product distribution channels and encourage efficiency. On the other hand, they expressed dissatisfaction with training institutions. According to them, the government needs to improve the quality of training institutions, to produce labour that is under industry needs.

In several diagnostic workshops, investors said that currently the Semarang General A Yani airport has been proud of and supported business activities in Central Java. However, they still expect the government to increase the port of Tanjung Mas so that more ships can dock to facilitate business activities.

**Government Performance**

Government performance is an obstacle that must be faced by investors. Most of them mentioned the weakness of coordination to be the cause of the poor performance of the government sector. Coordination weaknesses occur between the central, provincial and district/city level governments, internal coordination within the Organization of Regional Apparatus (Organisasi Perangkat Daerah - OPD), inter-OPD coordination, and coordination between governments (both central, provincial and district/city) and the businesses. These weaknesses, among others, cause regulations at the central level are not well socialized at the regional level (provincial and district/city).

Coordination weaknesses also cause overlapping of regulations and activities, or on the contrary, the things urgently handled are not appropriately handled. Overlapping of activities,
for example, occurred in one village which was the site of activity by several OPDs, even though the substance of the activities was the same. There was a community leader (local champion) in one village telling stories, the village was made into an Entrepreneurship Village, a Tourism Village, a Marine Village, and a One Village One Product (OVOP) pilot. This overlap causes waste (inefficient) of government funds.

Weaknesses in government performance are a problem faced by investors illustrated by the answer to the 2013 Regional Competitiveness Survey, which mentions three main problems in Central Java, namely investment performance, government performance, and infrastructure. Government performance is the most important indicator, with the assumption that if this indicator is successfully addressed, infrastructure and investment performance will also improve.

**Unofficial Costs (Illegal Levies)**

In every survey, the problem of unofficial fees or extortion is always attractive. District/city governments with significant (relatively) extortion rates usually react immediately, not even a few who protest at the survey organizers. The thing to remember is, the figure (or percentage) of extortion was obtained from qualitative data, that is the perception (which is the result of the respondents' experience) revealed to the surveyor.

The number of investors stating "it is necessary to incur unofficial costs to expedite business affairs" is relatively small, ranging from 10% - 30%, but that does not mean that extortion may be allowed. Illegal levies must be removed to increase investment attractiveness in the province. One way to minimize extortion is the application of online systems in-licensing, and this has been done by several districts/cities in the context of e-government and good and clean governance.

Among investors who answered "it is necessary to pay unofficial fees to obtain permits. It is followed later to get security in the business environment, for inspection costs, and to get official papers. So, the matter of permits and environmental security are two factors that are "vulnerable to extortion", so the district/city government needs to pay special attention to these two factors. The issue of licensing concerns government officials who deal with licensing for investors, while the issue of environmental security concerns the security apparatus (official) as well as elements of the community who use this factor for profit, both individually and in groups.

**Other Findings**

From the results of a series of regional competitiveness surveys and discussions in the diagnostic workshop revealed the views and expectations of investors towards the business climate in Central Java. The results of the 2012 Investment Survey show that the majority (67.90%) of investors chose Central Java as the location to invest their capital based on the reason that the location is easy to reach raw materials (40.51%) and reach the market (26.58)).

The investors invest capital in areas close to where they are (for example, a place to live, ease of opening access, ease of obtaining operational permits). In other words, most investors in the district/city are investors from Central Java, although they also expand their business to other regions.

Investors' answers also showed that productivity and labour costs were not a factor in Central Java's superiority in attracting investment. Only 24% of respondents cited these two factors as driving them to invest in Central Java. Similarly, infrastructure, also not yet a supporting factor for investment, is only mentioned by 4.22% of respondents.
The majority (60.76%) of investors also stated that the reason for selecting districts/cities was the ideal geographical location, but 15.19% of investors stated "by chance" choosing districts/cities in their investment. Only 2.53% of investors cited that marketing proactive from district/city governments, and only 4.22% cited ideal infrastructure as a motivating factor for their investment. It has shown that these two factors are not yet a motivating factor, so district/city governments need to pay serious attention.

The district/city government deserves to be proud because the majority (62.03%) of them claimed that their investment in the last three years was in line with expectations. Only 2.53% of those who said the investment was far from expectations, but 19.83% stated below expectations and 2.53% who claimed investment in the district/city (where they invested) was profitable.

This data illustrates that there is still "homework" for districts/cities to launch accurate tips in providing satisfaction for investors as their customers (customer satisfaction). District/city governments need to provide value from the investor side (value from the investor's standpoint) so that more investors will invest.

The majority (51.05%) of investors stated that the government had provided support in their business activities. 17.72% of investors said the government was very supportive. Only 1.27% stated that the government did not support and 27.43% considered the government was not supportive. This data is input for the district/city government to maintain an image that is already good enough in the eyes of investors but must not be careless and neglect to improve performance.

The results of the survey and diagnostic workshop also showed that the incentive to invest is more determined by the factors that investors try to do (push factors) rather than the government's efforts to attract investment (pull factors). Among these factors, "close to the certificates", "availability of raw materials", "geographical location suitable for business" are the determinants of capital investment and development, compared to for example with regional government' marketing proactive.

CONCLUSION

Investor perceptions of the business climate in Central Java are already ethical. They are optimistic about the future of investment in the province, as evidenced by the majority of investors that the business climate in the next three years (from each survey) is promising and believes that the government has provided support for investment development. The majority of investors welcomed the infrastructure development undertaken by the government because it facilitates distribution and production efficiency. However, they are still not satisfied with the quality of training institutions because they have not produced workers following industry needs.

Specifically, investors still face several problems that are considered to be able to inhibit increased investment in Central Java, namely related to taxation, competition and business licensing, employment, infrastructure, government performance, and informal or illegal fees (extortion).

In the case of taxation, investors assess regional taxes and levies as a significant problem that can hamper investment development. They argue the current economic conditions are less conducive, business competition is very tight, and people's purchasing power has declined. This condition reduces the ability of employers to provide wages to workers.
Investors assess although the government has tried to provide excellent services, for example, through One Single Submission (OSS), deregulation, bureaucratic reform, but business competition and business licensing are still obstacles. According to investors, licensing issues usually occur at the level of permits that are technical in the area (district/city), for example, related to the provision of land, even though the principle permit has been completed.

Another problem is employment, especially the mismatch between labour competencies and investor needs, causes some investors to have difficulty obtaining a competent workforce, and some even cancel the expansion of the factory due to labour shortages.

Complaints about infrastructure have diminished, a sign that the government has indeed addressed this problem. Nevertheless, there is still investor hope that the government will continue to improve infrastructure that supports the business world, for example, related to the quality of training institutions, ports and industrial estates.

Investors also assess that the weakness of government performance is mainly due to lack of coordination, both internally (central-regional, internal OPD, inter-OPD) and external (government and businesses). In other words, sectoral egos still infect elements of government. Coordination is the key to the success of an area to increase investment, because if this problem disappears, then other problems can be reduced or eliminated.

Even though the government has been intensifying anti-corruption actions, including anti-extortion fees, there are still investors who say that they incur unofficial costs to facilitate business activities. The number has decreased from survey to survey, but this remains a "homework" for the government.

The description shows that the main problem of local governments in increasing investment is government performance. The government needs to create a culture of coordination, both internal and external, and eliminate sectoral egos, that the investment problem is not only the responsibility of the OPD that deals directly with investment, but is the responsibility of all elements in government. Excellent coordination and loss of sectoral ego will build positive investor perceptions of the business climate, which will ultimately encourage investment into the region. Of course, this coordination must be supported by excellent service in the areas of regulation, licensing, and marketing that is on target.

The ideal model for increasing investment by developing the business perception:

*Figure 2. The Ideal Model for Increasing Investment*
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