

**ANALYSIS OF GOVERNMENT STRATEGY ON ATTRACTING FOREIGN DIRECT
INVESTMENT (FDI) AND AGGLOMERATION ECONOMIES LEVERAGE TOWARD
INVESTMENT AND ECONOMIC GROWTH IN SPECIAL REGION OF
YOGYAKARTA**

(Case Study at Sleman and Kulonprogo Regency 2013)

UNDERGRADUATE THESIS



Compiled by:

Miptahul Janah

(20100520103)

INTERNATIONAL PROGRAM OF GOVERNMENTAL STUDIES

FACULTY OF SOCIAL AND POLITICAL SCIENCE

UNIVERSITAS MUHAMMADIYAH YOGYAKARTA

2014

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INTERNATIONAL CLASS

GOVERNMENTAL SCIENCE DEPARTMENT

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UNDERGRADUATE THESIS

Prepared to meet the Requirements for Obtaining College Degree on International Program of
Governmental Studies

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Universitas Muhammadiyah Yogyakarta

Compiled by:

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INTERNATIONAL PROGRAM OF GOVERNMENTAL STUDIES

FACULTY OF SOCIAL AND POLITICAL SCIENCE

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STATEMENT PAGE

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I stated that this Undergraduate Thesis is originally my work results. Within, there are no other works that ever been proposed to gain Bachelor Degree in any universities. As far as my knowledge, there are also no works result that ever been published but mentioned in reference lists. Moreover, if someday there are certain parties were feeling pain and report, I will responsible and overcome all the consequences.

Yogyakarta, April 2014

Miptahul Janah

MOTTO

- ❖ Barangsiapa bertakwa kepada Allah niscaya Dia akan mengadakan baginya jalan keluar. Dan memberinya rezeki dari arah yang tiada disangka-sangkanya. Dan barangsiapa yang bertawakkal kepada Allah niscaya Allah akan mencukupkan (keperluan)nya. Sesungguhnya Allah melaksanakan urusan yang dikehendaki-Nya. Sesungguhnya Allah telah mengadakan ketentuan bagi tiap-tiap sesuatu". -(Ayat 1000 Dinar)
- ❖ As long as you think you can, then you can. As long as you believe in yourself, I will always believe in you. -Ayahanda
- ❖ Remember, the main reason of our life is seeking for Allah's blesses. We never got the world if we are not getting closer to Him.- Ibunda
- ❖ "I always wonder why birds stay in the same place when they can fly anywhere on the earth. Then I ask myself the same question". -Harun Yahya
- ❖ "An extraordinary people never want to be ordinary. Extraordinary people are always able to take chances by escaping from the comfort zone and change ordinary things through extraordinary ways". - Mifta

DEDICATION PAGE

This Undergraduate Thesis proudly presented for:

1. My beloved parents, Mr. Husin Muhammad & Mrs. Saulatia for the uncountable spiritual and financial supports as well as every single Du'a they sent during my life. Both of you are the ones that I miss and I love the most. I wish both of you happy to have only daughter like me.
2. My big Brothers: Su'aidi, Mukhlis, Yan Taufik, and Hidayatullah. I am so lucky to have you all in my life and i'm sure you are all also felt lucky to have only sister like me. Thanks for the supports and affection, brothers.
3. My Gorgeous and Cute nephews: M. Alfi Ramadhan, Salsabilla, and baby boy Nazrul Hakim. My three little angels are always makes me crying and missing home a lot. Cikta wishing you guys grows to be the pride of family and stay lovely for everyone.
4. My Sisters in Law: Hernita, Ropiko and Nazipa, the wonderful wives that brings happiness and positivity for my brothers as well as I am and Husin big families.
5. My big families: I'll always trying to be the pride of our family, doing the best and giving the best as i can.
6. My "Awkward" Guiding Lecturer for this Undergraduate Thesis: Mrs. Dr. Dyah Mutiarin, M.si, kind of precious moments I have spent with you during this paper project, Miss "Awkward", I named you. You treat me with very lovely ways. Beside knowledge, you also share Laughter, jokes and affection. I am grateful for that. Thank you so much.
7. The Dean of FISIPOL UMY, The Chairman of Governmental Studies Department, The Coordinator of International Program of Governmental Studies, all my lecturer in IGOV UMY, all my lecturer in Universiti Sains Malaysia (USM), the Staffs of IP UMY, Staffs of International Office USM, and all my friends in IP UMY, UMY and USM. I can't mention one by one but best regard goes to all of you. Thank you so much for everything.
8. My Best friends of IGOV 2010, the first generation. My Siti Adnan Kotarumalos, the one that has very good sense of "talking-talking" and talented on singing. When you getting

older, I wish you never forget every single time we spent together, kuchii. Febrianti Tentyana, my “girlfriend”, the one that very often shocked me with the “crying” phone calling; I hope you are not crying over me when we were apart. I’ll miss to spend another romantics honeymoon trips with you all the time. Mega Rizky Savitri, the one that spend the first, second and third years in the same roof with me. Although sometimes we got fight and argue, we always miss our sharing time. When you are having one of the hardest situations in your life, keep your smile ON, don’t need too much worries, believe that you are perfectly amazing. Mar’atun Sa’adah, the “hard worker” women, sometimes I am envy with your spirit and passion to earn money by yourself. I wish someday you afford to buy a super car and pick me up to spend a day travel around our beloved Jambi Province. Perwira Sultan Kelana, the “Jomblo” vocalist, someday I wish accepts a wedding invitation named you and a very beautiful princes. Handry Harry, the “soccer man”, the one that almost disappear because too busy with soccer. May many soccer technics you able to play year by year. To all of you, it’s hard to believe that we are almost done to be together but stay, stay sharing affections till we got older.

9. My Junior, IGOV 2011. Vitho, Mascu, Dulloh, Sigit, Fateem, Tyra, Obi. IGOV 2012 and the youngest generation, IGOV 2013, stay smart and classy.
10. My best last longer “family”, F2EI. Eni Oktavia, Fitriati and Fitriana. My best friends in MAN 1 Batang Hari, UMY, USM, Jogjakarta, Jambi, Bulian, Terusan and Worldwide.
11. My Housemate Lia Oktafiani and her sister, Ade Aisyah, the ones who knew my flaws and sure my sincerity.
12. The last but not least, for my hidden treasure, the one that still hidden outside there. The one that Allah SWT created for me. The one that I really want to spend my life with. Whoever you are, this is dedicated for you.

PREFACE

Bismillahirrohmanirrohim

All praise belongs to Allah SWT for all His guidance and mercy so that the writer been able to finished Undergraduate Thesis titled “Analysis of Government Strategy on Attracting Foreign Direct Investment (FDI) and Agglomeration Economies Leverage toward Investment to Accelerate Economic Growth in Special Region of Yogyakarta (Case study at Sleman and Kulonprogo Regency 2013)”. Sholawat and Greetings goes to Prophet Muhammad SAW, the lighter, the greatest person and the teacher of all knowledge to Muslim and His believer. This research aimed to analyze the government strategy on attracting FDI and agglomeration leverage toward economic growth and investment flows. Sleman and Kulonprogo are chosen because both regencies have positive and negative development of investment sectors in DIY. The writer realized that this research is still having many weakness and imperfections, hence, the critiques and recommendations for greatness in the future are hoped. Moreover, the writer would like to extend her gratitude and saying thank you to Dr. Dyah Mutiarin, which gave the best treats ever as the guiding lecturer. The writer is also grateful to have wonderful friends and campus staffs and saying thank you for giving the trust, support, and encouragement.

Yogyakarta,

2014

Miptahul Janah

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ABSTRACT

The existences of Foreign Direct Investment (FDI) would help region in running its development project. In addition, Agglomeration economies is unevitable situation that influenced, amongst others, by the investment flows. Theoretically, foreign investors are likely to invest in regions where competitiveness indicators such as human resource capability, resource endowment, market opportunities and per capita incomes are high. Factually, the foreign investors are also likely to invest in areas where there business infrastructures, economic facilities and market segments are available. This research used the descriptive-qualitative research method. The data classification is the primary and secondary data. Furthermore, data collection technics conducted through interview and documentation, which collected from the related officer or staffs in charge with the investment marketing and development. The majority of FDI in Sleman Regency are in the secondary and tertiary sectors with domination of Hotel, Trade and Restaurants sub-sector. Meanwhile, the majority of the FDI in Kulonprogo Regency is in the primary and secondary sectors with the domination on agriculture and processing industry sub-sectors. Based on the spatial-view, FDI in Sleman is mainly located in Depok, Kalasan, and Gamping Districts. Those all districts are included in the agglomeration area (APY) of DIY. FDI in Kulonprogo Regency is mainly located in Wates District. Both regency needs to improve the economic, social, cultural capabilities and wrapping all these points into complete packaging, hence, the better the packaging presented, the higher FDI attracted.

Keywords: Investment, Attract FDI, Agglomeration Economies, and Economic Growth

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