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**COVID-19 AND THE DECLINE IN INVESTMENT IN WEST NUSA TENGGARA: INDONESIA**


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**Abstract**

This research examines the effects of the COVID-19 pandemic on investment in West Nusa Tenggara (NTB), Indonesia. Utilizing a combination of quantitative data gathered through interviews with the Republic of Indonesia's Investment Coordinating Board and qualitative insights from the Head of the Office of Investment and One Stop Integrated Services, the study investigates investment realization by district and city, sector, and the country of origin of investors. The analysis reveals that, even before the COVID-19 outbreak, investment levels in NTB were declining due to a series of natural disasters, including an earthquake in 2018. The pandemic further exacerbated this decline in investment, with many investors choosing to delay their investments in the region. However, certain sectors, such as mining, tourism, and transportation, demonstrated improvements during this period. The findings underscore the challenges faced by West Nusa Tenggara in attracting investment and achieving regional development goals. The study emphasizes the importance of understanding a region's potential and creating favorable conditions for investment to stimulate economic growth.



**Keywords**: Covid-19, Investment, NTB



***Abstrak***

*Penelitian ini mengkaji dampak pandemi COVID-19 terhadap investasi di Nusa Tenggara Barat (NTB), Indonesia. Memanfaatkan kombinasi data kuantitatif yang dikumpulkan melalui wawancara dengan Badan Koordinasi Penanaman Modal Republik Indonesia dan wawasan kualitatif dari Kepala Dinas Penanaman Modal dan Pelayanan Terpadu Satu Pintu, studi ini menyelidiki realisasi investasi menurut kabupaten dan kota, sektor, dan negara. asal investor. Analisis menunjukkan bahwa, bahkan sebelum wabah COVID-19, tingkat investasi di NTB mengalami penurunan akibat serangkaian bencana alam, termasuk gempa bumi pada tahun 2018. Pandemi ini semakin memperburuk penurunan investasi, sehingga banyak investor memilih untuk menunda investasinya. di wilayah tersebut. Namun, sektor-sektor tertentu, seperti pertambangan, pariwisata, dan transportasi, menunjukkan perbaikan selama periode ini. Temuan ini menggarisbawahi tantangan yang dihadapi Nusa Tenggara Barat dalam menarik investasi dan mencapai tujuan pembangunan daerah. Studi ini menekankan pentingnya memahami potensi suatu daerah dan menciptakan kondisi yang menguntungkan bagi investasi untuk merangsang pertumbuhan ekonomi.*



***Kata Kunci:*** *Covid-19, Investasi, NTB*

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***Kata Kunci:*** *Covid-19, Investasi, NTB*

## INTRODUCTION

In approximately 100 days, the global coronavirus (COVID-19) outbreak that originated in Wuhan, China, in December 2019 has resulted in the deaths of over 60,000 individuals and infected more than one million more. As of August 22, 2021, the outbreak was estimated to have claimed the lives of 211 million people worldwide. The World Health Organization (WHO) declared the COVID-19 outbreak a global emergency in February 2020, and it was formally declared a pandemic on March 11, 2020. (WHO, 2022).

There is no doubt that this pandemic has had a significant economic impact. Many nations' economic activities have been severely restricted in the short term due to the implementation of strict quarantine regulations. The long-term effects of the pandemic could include widespread unemployment and economic collapse (Zhang et al., 2020).

The COVID-19 pandemic has had a more pronounced effect on the financial market than any other infectious disease outbreak, including the Spanish Flu. The impact of previous epidemics on the US stock market was minimal. Various research utilizing text-based methodologies to analyze daily stock market movements in 1900 and overall stock market volatility in 1985 suggests that the US stock market reacted much more strongly to COVID-19 compared to previous pandemics in 1918–19, 1957–1958, and 1968. This evidence suggests that government restrictions on commercial activity and voluntary social distancing had a significant impact on a service-oriented economy (Baker et al., 2020).

The fear of the unknown, symbolized by COVID-19, is perhaps the root cause of all fears that have affected the world's financial and economic systems. This notion—that fear drives the responses of both governments and businesses—is what motivates their actions. When governments take action, individuals have limited room to react, and as a result, corporations respond without much choice, becoming "response takers." Therefore, the theories of investor under- and over-reaction serve as guidance in interpreting stock price behavior (Daniels & Mead, 1998; Hong & Stein, 1999, 2005).

Investors encompass all stakeholders affected by COVID-19. It is evident that every stakeholder is expected to incur losses as a result of this catastrophe. Governments, as significant investors, aim to minimize losses for consumers and businesses (Phan & Narayan, 2020).

The SARS outbreak in 2003 was estimated to have cost the global economy between $30 and $100 billion USD (Smith, 2006). The COVID-19 pandemic, which is described as a "once in a century disease," has had a significantly greater impact on the global economy than initially predicted, becoming a global problem compared to SARS, which was confined to China (Klement, 2020).

Worst-case projections suggest that the COVID-19 pandemic could infect 7.0 billion people worldwide and result in 40 million fatalities. However, these projections are contingent on the absence of any actions taken by various stakeholders (Walker et al., 2020). Over 136 countries have implemented interventions to combat the epidemic, including city lockdowns, border closures, and various health measures that are expected to ultimately slow and halt the spread of the virus (Wu et al., 2020). However, these measures will also result in a global economic recession (Barro et al., 2020), which will quickly impact financial markets (Ramelli & Wagner, 2020).

Investment activities play a crucial role in fostering competitive economic growth, which is necessary for achieving high and sustainable economic development. To facilitate this growth, as outlined in the Regional Medium-Term Development Plan (RPJMD), it is essential to improve the investment environment and create favorable conditions for investment. The increasing realization of both domestic and foreign investments serves as evidence of the improving investment climate.

West Nusa Tenggara was chosen as the research location for focusing on the discussion due to several factors, including the limited research on investment and its connection to COVID-19, with most studies primarily focusing on the economic impact of investment (Luluk Fadliyanti et al., 2021; Mentari et al., 2017; Royan et al., 2019a, 2019b). West Nusa Tenggara is also undergoing various sectors of development, making it interesting to observe how COVID-19 affects the investment environment in the region.

## LITERATURE REVIEW

The emergence of the COVID-19 pandemic in late 2019 marked a watershed moment in contemporary history, precipitating an unparalleled global crisis that rippled across every facet of human activity. Among the myriad sectors profoundly affected, investment stands out as a critical arena where the pandemic's disruptive forces have reshaped landscapes, shattered paradigms, and ushered in new economic realities. This literature review endeavors to delve deep into the intricate interplay between the COVID-19 pandemic and investment dynamics in West Nusa Tenggara (WNT), Indonesia, elucidating the multifaceted impacts, regional variations, policy responses, and future prospects.

Scholarly discourse and empirical evidence converge to underscore the seismic economic ramifications of the COVID-19 pandemic on a global scale. Lockdown measures, travel restrictions, disrupted supply chains, and plummeting consumer demand precipitated a cascading series of shocks that reverberated through economies worldwide (Fernandes, 2020; Nicola et al., 2020). Consequently, investment, as a cornerstone of economic growth and development, bore the brunt of these disruptions, experiencing a precipitous decline across diverse regions and industries. This global context provides a backdrop against which the localized impacts of the pandemic on investment in WNT, Indonesia, can be comprehensively examined.

Prior to the COVID-19 outbreak, Indonesia had been on a trajectory of sustained economic growth, buoyed by robust investment inflows, both domestic and foreign. However, the onset of the pandemic abruptly halted this momentum, triggering a stark reversal in investment trends across the archipelago nation (Alfaro et al., 2020). Studies analyzing the post-COVID investment landscape in Indonesia reveal a stark reality: a pronounced downturn in investment activity, with sectors reliant on tourism and export-oriented industries bearing the brunt of the economic downturn (OECD, 2021). Against this backdrop, WNT, with its distinctive economic profile characterized by a significant reliance on tourism and agriculture, emerges as a microcosm where the pandemic's impact on investment is particularly acute.

Within the mosaic of Indonesia's diverse regional economies, WNT stands out as a microcosm where the confluence of factors amplifies the adverse effects of the COVID-19 pandemic on investment. The tourism sector, a linchpin of WNT's economy, suffered a devastating blow as international and domestic travel ground to a halt (ADB, 2020). This abrupt cessation of tourist inflows precipitated a domino effect, rippling through ancillary industries and dampening investor confidence. Moreover, disruptions in agricultural supply chains, exacerbated by mobility restrictions and labor shortages, further compounded the challenges facing WNT's investment landscape (Bank Indonesia, 2021). These regional nuances underscore the imperative for tailored policy interventions aimed at bolstering investment resilience and fostering economic recovery in WNT and analogous regions.

Governments, cognizant of the imperative to mitigate the pandemic's adverse impacts on investment and facilitate economic recovery, have rolled out a panoply of policy measures. Fiscal stimulus packages, tax incentives, and investment promotion initiatives represent key pillars of these policy responses, aimed at rekindling investor confidence and catalyzing investment flows (UNCTAD, 2020). Looking ahead, the efficacy of these policy prescriptions in rejuvenating investment in WNT hinges on their ability to address structural vulnerabilities, fortify resilience, and foster sustainable development trajectories in the post-pandemic era (IMF, 2021).

The COVID-19 pandemic has cast a long shadow over the investment landscape in West Nusa Tenggara, Indonesia, precipitating a paradigm shift and presenting formidable challenges to economic recovery. By meticulously dissecting the intricate nexus between the pandemic and investment dynamics, this literature review illuminates pathways for informed policy formulation and strategic interventions aimed at navigating the turbulent waters of the post-pandemic era. By leveraging insights gleaned from this analysis, stakeholders can chart a course towards building a more resilient, inclusive, and sustainable investment ecosystem in WNT and analogous regions, poised to weather future storms and thrive in a rapidly evolving global landscape.

## RESEARCH METHODOLOGY

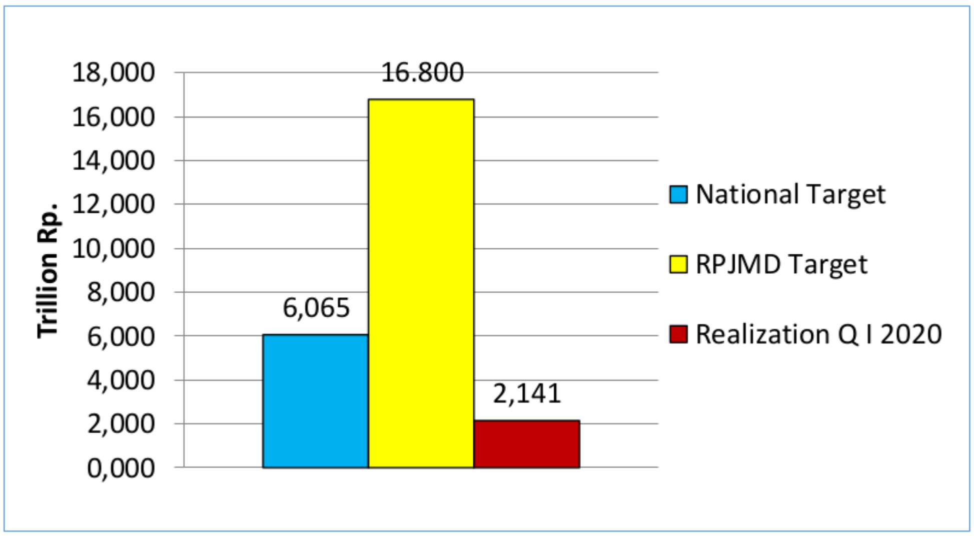
This study aims to comprehensively assess the impact of Covid-19 on the investment environment in West Nusa Tenggara (NTB), Indonesia. It will examine investment realization during the Covid-19 period, compare it with other periods, analyze investment realization by district, city, sector, and the country of origin of investors. Both qualitative and quantitative data will be used in this study. Quantitative data will be utilized to determine the actual investment value in West Nusa Tenggara, while qualitative evidence will support the quantitative conclusions. The Republic of Indonesia's Investment Coordinating Board (BKPMNRI) provided the quantitative data, and qualitative data was obtained through communication with the Head of the Office of Investment and One Stop Integrated Services (DPMPTSP). To enhance clarity for readers, quantitative data will be analyzed and presented in the form of graphs and tables, while qualitative data will undergo a process of reduction, presentation, triangulation, and conclusion drawing (Miles & Huberman, 2014).

For gathering qualitative information, the author employed a purposive sampling technique and selected the Head of the One Stop Investment Service and Integrated Service Office based on their knowledge and expertise in investing in NTB. In-depth interviews were conducted to obtain more precise data, particularly regarding investment-related aspects during the COVID-19 pandemic. With the respondents' permission, the author recorded the entire interviews using a cell phone. The research ethics committee at West Nusa Tenggara Nahdlatul Ulama University has approved all stages of this study.

## RESULT AND DISCUSSIONS

From the results of data collection, the realization of investment in West Nusa Tenggara can be seen in Figure 1.

**Figure 1.** Investment Realization (2020)




Source: BKPM RI

The Republic of Indonesia Investment Coordinating Board (BKPMRI) set a target of Rp. 6,065 trillion for investment realization in West Nusa Tenggara Province in 2020, while the Regional Medium-Term Development Plan (RPJMD) aimed for Rp. 16.8 trillion for the Province of West Nusa Tenggara (NTB) in 2020. However, the investment realized between January and March 2020 amounted to Rp. 2,141 trillion, meeting only 35.31% of the 2020 national objective and 12.75% of the 2020 RPJMD target as of March 2020.

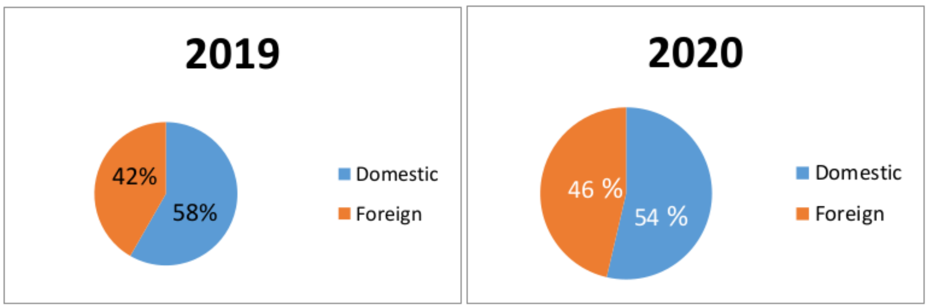
By the end of the first quarter (January-March 2020), the total investment realization (PMDN & PMA) reached Rp. 2.141 trillion. Investment realization for

PMDN was Rp. 1.149 trillion during the first quarter (January-March) of 2020, while investment realized for PMA amounted to Rp. 992.499 billion in the same period.

According to the head of the West Nusa Tenggara DPMPTSP, a series of consecutive disasters were responsible for the region's low investment realization. An earthquake in West Nusa Tenggara in 2019 paralyzed several commercial activities, and the man-made catastrophe of Covid-19 in 2019 further affected the suffering of West Nusa Tenggara. As a result, many investors are delaying their investments in the region.

Hence, the implementation of investment in West Nusa Tenggara is still far from the national or regional objectives, as indicated in the previous description.

**Figure 2.** Investment Realization Comparison (Q1)

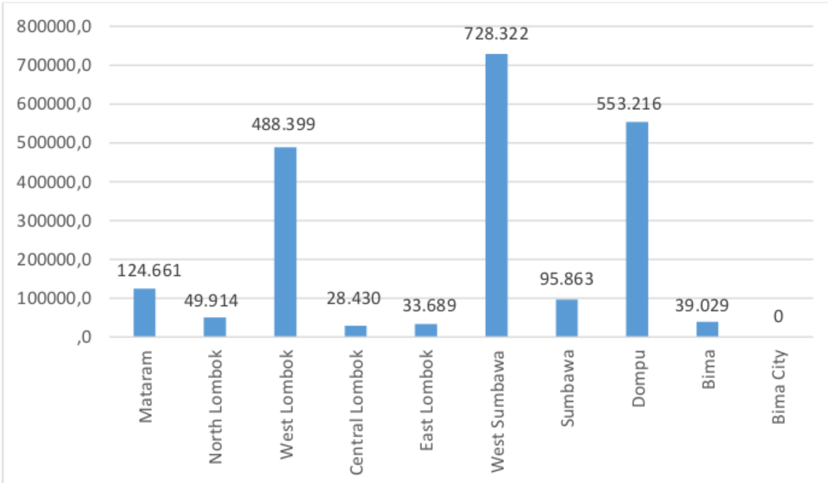



Source: Bank Indonesia, West Nusa Tenggara

The initial quarter of 2020 witnessed a comparison in the realization of investment between the contribution of Domestic Investment (PMDN), which originally stood at 0.58, and Foreign Investment (PMA), which increased by 4%. However, it decreased by -4% to 54% compared to 2019.

According to the source, the increase in foreign investment can be attributed to the mining industry's relatively strong production during the pandemic. Investors find this sector more secure than others because they anticipate significant gains. *"Mining companies such as PT. Aman Nusa Tenggara offer a lucrative industry for investors, particularly foreign investors. The establishment of a new mining center and smelter attracts investors to invest in PT. Aman Nusa Tenggara."*

**Figure 3.** Regency/City Investment Realization Quarter I 2020




Source: Bank Indonesia, West Nusa Tenggara

During the period from January to March 2020, West Sumbawa Regency recorded the highest realization, totaling Rp. 728.322 billion. West Lombok Regency ranked second with Rp. 488.399 billion, followed by Dompu Regency with Rp. 553.216 billion. In comparison to the same period in 2019, West Lombok Regency had the highest realization, amounting to Rp. 502.733 billion, securing its position as the second-highest. Sumbawa Regency came in second with Rp. 226.640 billion, followed by West Sumbawa with Rp. 292.703 billion.

According to information obtained from informants, the high investment in several areas, such as West Lombok, West Sumbawa, and Dompu, can be attributed to several factors. Firstly, the mining business of PT. Aman Nusa Tenggara is responsible for the significant investment in West Sumbawa. The fishing industry also contributes significantly to the investment growth in West Sumbawa. Secondly, the presence of PT. Sumbawa Timur Mining in Dompu has revitalized investment in the Dompu Regency. Agriculture and tourism are significant industries supporting investment in Dompu in other sectors, with sugarcane, corn, and seaweed being the key crops in the agricultural sector. Thirdly, tourism in West Lombok is expected to grow rapidly in 2020, evident by the development of Gili Mas Port. The purpose of building this port is to increase the number of foreign visitors arriving by cruise ship. The high rate of hotel and resort development is another factor driving investment in West Lombok.

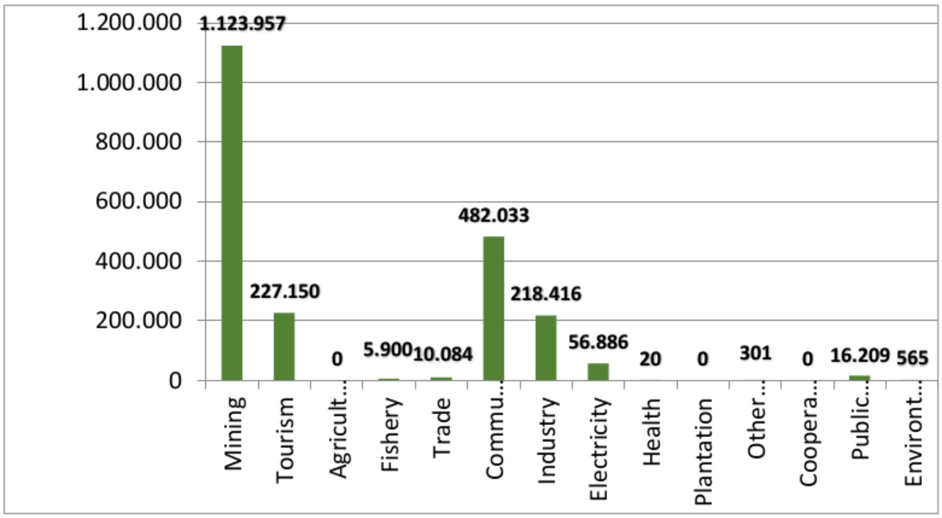
The informant added that other regencies and cities have yet to identify their potential to increase the amount of investment.

*"The majority of cities and regencies in West Nusa Tenggara are unaware of their potential. Understanding a region's potential or opportunities is essential to attract a high level of investment. However, the districts in West Nusa Tenggara have yet to grasp the significance of studying economic potential."*

However, the government's investment goals for 2020 fell short of expectations, particularly in West Nusa Tenggara, where the investment level did not increase throughout the year.

*"To attract investors, the governments of West Nusa Tenggara and Indonesia have implemented various programs. However, due to the persistence of Covid-19, the investment level did not rise in 2020" (Head of DPMPTSP).*

**Figure 4.** Investment Realization per sector (2020)




Source: Bank Indonesia, West Nusa Tenggara

The realization of investment in the mining sector in West Nusa Tenggara earned the highest amount, totaling Rp. 1.123 trillion between January and March 2020. The transportation sector, worth Rp. 482.033 billion, ranked second, followed by the tourism sector, with Rp. 227.150 billion.

The agriculture sector, plantation sector, and cooperative sector had the lowest realization from January to March 2020, with Rp. 0. The health sector had a realization of Rp. 20.868 million, and the other services sector had a realization of Rp. 301.460 million.

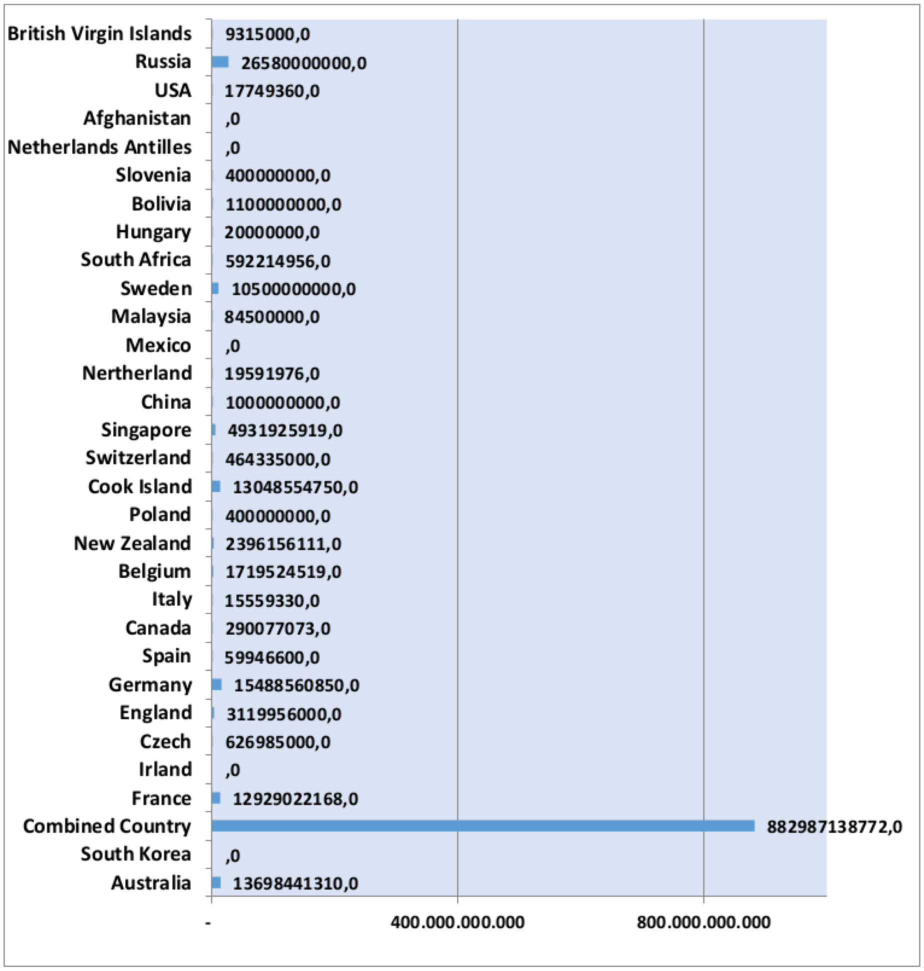
In the same period (January-March) of 2019, the mining sector reported the highest investment realization, totaling Rp. 448.095 billion. The tourism industry followed with Rp. 397.842 billion, and the transportation industry with Rp. 293.150 billion.

The primary reasons for the significant investment in the mining industry are the construction of smelters and the development of gold and copper mines. The establishment of the Special Economic Zone (SEZ) in Mandalika, Central Lombok, has prompted the government to promote investments in the transportation sector, including roads, airports, bridges, and ports. As a result, investment in West Nusa Tenggara has quickly doubled its previous level.

*"The government must promote both domestic and foreign investment to develop various public facilities, such as roads, bridges, airports, and ports, in order to create the Mandalika Special Economic Zone."*

According to the chairman of the DPMPTSP, the tourism sector was one of the industries most affected by COVID-19. This was mainly due to the policies implemented by Indonesia and other countries that restricted access to airports for international flights, resulting in a sharp decline in the number of tourists visiting Indonesia and deterring potential investors from spending their money. Consequently, many projects, including hotels, have halted construction.

**Figure 5.** Investment Realization Q1 March 2020 (Country Based)




Source: Bank Indonesia, West Nusa Tenggara

There are 31 countries that have investments in the province of West Nusa Tenggara. The consortium firms or a group of nations invested the most foreign money in West Nusa Tenggara, contributing a total of Rp. 882,987,138,772 billion. With a total investment of Rp. 26.580 trillion billion, Russia is positioned at level two. Germany is in third place, having invested Rp 15,488,560,850 billion in West

Nusa Tenggara. With total investments of Rp. 13,698,441,310, Rp. 13,048,554,750, and Rp. 12,929,022.168 billion, Australia, the Cook Islands, and France do not appear to differ all that much.

The informant claimed that foreigners from Russia, Australia, the Cook Islands, and Sweden made up the majority of investors in the West Nusa Tenggara tourism industry, particularly in the creation of tourist attractions in the Mandalika Special Economic Zone. The investment in question takes the form of resorts, hotels, amusement parks, and other tourist hotspots.

Investment in a nation is a result of the numerous benefits associated with it. These include improved employability (Lankes & Venables, 1996; Toner-Rodgers & Friedt, 2020), rapid adoption of new technologies, introduction of new processes, networks, and market access (Alfaro et al., 2004), modernization of the national economy, a skilled labor force, internationalization of R&D, appreciation of human capital, and encouragement of internal competitiveness (Alfaro et al., 2004; OECD, 2002).

Investment occurs when a corporation operating in one economy decides to invest in another economy that is distinct from its own. Typically, this involves a long-term partnership (Alfaro et al., 2004). The beneficiary of the firm is the host nation or region (Katoka & Okubo, 2018), but before that, a corporation will carefully assess its intention to invest in the nation/region, taking into account potential dangers, including keeping an eye out for natural disasters (Oh et al., 2020).

When it comes to international investment, operating a business overseas entails higher costs; as a result, investors pay attention to the company's location and assess if the benefits of operating there will offset the associated costs (Oh & Oetzel, 2011; Oh et al., 2020). Thus, it is clear that FDI attraction is greatly influenced by local conditions (Alfaro et al., 2004; Bailey, 2017; Kato & Okubo, 2018).

Companies may be reluctant to expand abroad in nations with a history of natural disasters, which lowers FDI (Katoka, 2020). The only thing left to do is to determine which kind of natural catastrophe damage, such as the number of fatalities or monetary losses, could result in a greater decline in FDI. FDI has been seen to be drawn in by a number of institutional elements.

According to Bailey (2017), the most prosperous host nations/regions for investments at least have a reliable, honest, and stable political climate. Similar to how a strong legal system lowers risk and safeguards the business. Political and civil liberty may serve as a foundation for corporate policy. On the other hand, high tax rates drive up business expenses and deter investment (Bailey, 2017). In this instance, the effectiveness of local/state institutions governs investment operations (Blonigen, 2005; Sabir et al., 2019).

Discussing catastrophes, COVID-19 is a non-natural catastrophe that appears to have paralyzed global economic growth. Numerous researchers have examined the effects of COVID-19. In their assessment of the pandemic's macroeconomic effects, OECD (2020) predicts that COVID-19 will have a short-term negative supply shock on the global economy by forcing companies to close and disrupting supply networks around the world. According to Loayza and Pennings (2020), the COVID-19 pandemic represents a global public health emergency and an economic crisis with ramifications that may go beyond those of the 2008–2009 global financial crisis. They also look at how macroeconomic policies were implemented during the pandemic in developing countries. Additionally, according to Seric and The Hague (2020), COVID-19 has had a significant impact on globalization, including international direct investment.

Therefore, it can be inferred that the COVID-19 virus epidemic in Indonesia is indeed to blame for the reduction in the value of investments in West Nusa Tenggara.

## CONCLUSION

The research conducted on the effects of COVID-19 on investment in West Nusa Tenggara, Indonesia, reveals several key findings:

1) Declining investment levels: Prior to the COVID-19 pandemic, investment levels in West Nusa Tenggara were already on a decline. This decline can be attributed to a series of consecutive disasters, starting with an earthquake in 2018 and followed by the COVID-19 pandemic in 2019 (2.141 Trillion Rupiah).
2) During the observation period in 2020, various sectors experienced notable changes. It is essential to specify the time frame, considering whether the analysis encompasses the entire year of the pandemic or specific phases within it. The mining industry witnessed an increase in foreign investment, despite the overarching economic downturn. Notably, the mining sector in Indonesia demonstrated resilience during the pandemic, attracting investors due to its robust production. Concurrently, there was a puzzling trend as mining exports from Indonesia decreased, warranting further investigation and explanation. Moreover, the growth in the tourism and transportation sectors was influenced by strategic developments, notably the Mandalika Special Economic Zone. However, it is crucial to ascertain whether these improvements occurred during the pandemic or emerged as a post-pandemic recovery. Clarity on the timeline is imperative for a comprehensive understanding of the observed trends. Therefore, specifying whether these positive shifts occurred amidst the challenges of the pandemic or materialized in its aftermath will provide a more nuanced and accurate analysis.
3) Regional variations: The research highlights regional variations in investment realization within West Nusa Tenggara. Certain areas, such as West Sumbawa, West Lombok, and Dompu, recorded higher investment realizations compared to others. These variations can be attributed to factors like mining activities, fishing industry, agriculture, and tourism potential.
4) Foreign investors: The research identifies several countries that have invested in West Nusa Tenggara. Consortium firms or groups of nations, Russia, Germany, Australia, the Cook Islands, and France are among the countries with significant investments in the region.

In conclusion, the research suggests that the decline in investment in West Nusa Tenggara was influenced by a combination of pre-existing factors, including natural disasters, and the impact of the COVID-19 pandemic. While certain sectors experienced improvements, the overall investment levels in the region were below the national and regional objectives. The findings emphasize the need for a comprehensive understanding of the region's potential and the implementation of strategies to attract both domestic and foreign investments, particularly in sectors with growth potential like mining, tourism, and transportation.

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