

Ambon's Investment Impact Throughout the Covid-19 Pandemic

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Abstract - The COVID-19 pandemic has resulted in the disruption of all aspects in society. It has sent waves of panic throughout the world, leaving no sector untouched, and incited an economic recession which will not be quickly overcome. The severity of this economic crisis is illustrated by a 3.3% fall in the global GDP in 2020. The devastating effects of the pandemic caused a decrease of 3.1 million people in the world population [6]. More than three-quarters of the world have incepted lockdown policies as a result of the pandemic setting developing countries backwards due to the lack of resources in the form of labour, medical, infrastructure and many more as these resources are human's basic needs. Although certain industries such as technology and health insurance have benefitted from the pandemic, industries such as the airline sector, oil and gas, travel and leisure are struggling to adapt to the new conditions generated by the pandemic.

The COVID-19 pandemic indisputably impacts all economic arenas. As such, this research paper aims to determine the impact of the COVID-19 pandemic on investment in Ambon. The qualitative method was employed for this research in order to identify the actual conditions within Ambon, to assess the economic ramifications on Ambon in light of COVID-19. By interviewing 11 influential stakeholders in the Ambonese economy, different interpretations will be considered and a new theory will be developed in regards to the investment impact throughout the COVID-19 pandemic in Ambon. Ultimately, the rationale underpinning this research is to help Ambon realise its economic potential. This research will also shed light on the business sectors to optimise in the near future. This research will also provide insight for both the private and public sector in order to optimise their policies. Essentially, this research strives to prevent further adverse economic ramifications in Ambon.

Keywords – Pandemic, Covid-19, economy of Ambon, investment

I. INTRODUCTION

The inception of widespread COVID-19-related lockdowns have caused major economic downturn globally. These lockdowns have adversely impacted the travel and tourism sectors, resulting in economic strain in countries whose economies depend on these sectors. The pandemic “erased the equivalent of 255 million jobs in 2020” [6]. The pandemic has resulted in the triggering of demand and supply shocks, rippling through global value chains. Further, government policies and far-reaching lockdowns have influenced a significant decline of foreign direct investment (FDI). The resurgence of FDI has adversely affected developing countries' economies

such as Indonesia, as FDI is a major income source with the potential ability to boost the development of employment opportunities allowing these developing countries to grow through the recovery stage.

Multinational companies had expected the pandemic-induced shocks to become better over the course of the year, allowing economies to readjust to the new market conditions. However, this was not the case and companies still struggled with the continuing restrictions and economic shocks. Most countries also expected a less significant effect on income through an improved outlook for supply chain reliability, signalling business adaptation, and resilience. The disruption of international trade due to the pandemic has resulted in adverse effects such as changing industrialization patterns, rising economic nationalism and essentiality of environment sustainability. It also resulted in multinational corporations re-strategizing and developing mechanisms which would help them cover themselves after the pandemic.

The global spread of the pandemic resulted in the disruption of many global economic initiatives, decreasing global economic activities significantly. The rapid spread of the pandemic has caused a global economic recession, taking over more than three-quarters of the world. This generated an increased need to improve economic systems around the world to allow growth and development in different sectors of those countries. , the pandemic has allowed the world economy to grow effectively after the resurgence that occurred annually. The developed sectors include domestic demand by ensuring the development of the investment sectors.

This paper will be discussing the investment sector within Ambon, a city located in the eastern part of Indonesia, away from the government's capital – Jakarta. Ambon, the capital city of the Maluku Province, holds a substantial amount of natural resources. This is illustrated by the fact that during the colonial period, out of all cities in Indonesia, Ambon was chosen as the main target of colonialists to find spices. The city is determined to have many advantages and merits, such as marine resources, plantations and agricultural resources, and energy and mineral resources, which are untapped wealth. This enables Ambon to gain investment as Ambon's ability to adapt quickly to change can position the pandemic as an investment opportunity. Conversely, the inability to adapt to change can lead to chaos. Thereupon, Ambon requires a dynamic investment strategy with flexibility in order to adapt to fluctuations in its economic environment.

In spite of this, throughout the years, Maluku has ranked last in investment value in Indonesia. Due to

Maluku's remote location, it has not received due attention and recognition from the government. However, with its extensive resources, the Indonesian government has yet to acknowledge and utilize Ambon as a city full of investment opportunities.

A. Overview of the Investment in Ambon

Ambon's investment is mostly controlled by its natural resources. The natural sources that play a major role in Ambon's economy include: marine resources, plantations and agricultural resources, and energy and mineral resources have also effectively contributed to the development of the region's investment. Hence, investment is boosted through the services sector where Ambonese people offer to work in the natural resources sector to earn a living. As a matter of fact, the tourism and fishery sector have raised socio-economic prosperity in Ambon. Therefore when the pandemic reached Ambon, the investment sector was adversely affected, causing investment to descend to unprecedented low levels. However, this paper will measure the effects of the pandemic through analysing Ambon's investment value and therefore find ways to improve the growth within the investment sector in Ambon as the growth of investment will boost economic growth and the global economy.

B. Revolution of Ambon's Investment

The Maluku province has developed sectoral development policies which concentrate on the development of agriculture, fishery and tourism. Among the main restraining factors in the region is the poor human development in human resource (HR) and the infrastructure in the limited access to markets. Hence, the tourism sector should focus on infrastructure development and HR training as most people in Ambon lack training resulting in unemployment. Additionally, the manufacturing sector that contributes to the region's investment is also unprogressive, thus, there is a need for its development. The poor management of resources in Ambon has caused the city's investment sector to not perform throughout the years. Hence, there is a need to boost foreign direct investment to facilitate business growth and security in Ambon.

According to Indonesia's Investment Coordinating Board (BKPM), the investments of Maluku province have been the lowest in Indonesia not only due to its poor management of resources, but also due to the distance of Ambon from the central cities of Indonesia's economy such as DKI Jakarta, Bandung and Surabaya. However, the growth of investment in Ambon throughout the years is still evident through the improvement of infrastructure and the maintenance of natural resources that substantially boosted economic activities revolving around fisheries, tourism and human resource management. The fisheries have been improved through maintenance of the sea and lake waters while tourism has been boosted through development of infrastructure and human resource

management through training sessions. However, the measures taken by the government in trying to lessen the spread of the virus has shifted their focus to the pandemic therefore lowering the investments significantly over the last year.

Upon tackling the issue of implementing a solution to track the progress of investments, initiatives through both qualitative and quantitative measures should be taken into account to boost infrastructure, fishery and tourism levels. To develop Ambon's infrastructure, seaports and airports should be a main priority as it supports productive employment creation in the region. Additionally, the alignment of development plans across clusters and sectors is required, as well as the integration of the operational activities to achieve maximum impact. The government may need to go beyond interventions that merely aim at enabling a market-driven development to the formulation and implementation of a development strategy and policies that actively promote and shape investment in the region.

C. A Novel Coronavirus from Patients with Pneumonia in China, 2019

The pandemic has overwhelmed the healthcare industry as millions of patients are admitted everyday to hospitals and health centres all across the world. Not only the healthcare industry, the pandemic has negatively impacted the trade sector, airlines as well as the oil and gas industry. The effects of the pandemic on these industries have resulted in the intensification of market volatility. According to [13] measures to minimize the spread of COVID-19 have been taken. These include restrictions on limited trading services across various borders which in turn affected exports and imports which as a result caused the significant decrease in the stock market.

D. Covid-19 pandemic, oil prices, stock market, geopolitical risk and policy uncertainty nexus in the U.S. economy

Considered as a global crisis, the COVID-19 pandemic has spread fast across many nations affecting over 150 million resulting in over 3 million deaths globally [12]. The challenges the world experienced due to COVID-19 led to the development of unstable relationships and was a main determinant in causing the feud between the two biggest oil producers, Saudi Arabia and Russia, resulting in a drop in oil prices [13]. The drop in oil prices resulted in the reduction of the investments made globally. These combined factors caused increasing uncertainty among investors and adjusted economic expectations, resulting in lower prices and more price fluctuations. It resulted in many investors retracting their investments and monies [11]. Throughout this past year, most investors have struggled with the same issue as a result of the pandemic. Although they are struggling to position themselves with recent developments, the

enhancement within the technological sectors have allowed them to adapt to the current situation, research, and choose the right decision for their investment [11].

In fact, the pandemic has resulted in the development of one of the largest economic shocks in history. Through investment perspective, it has resulted in most investors changing their portfolios and looking for other investment sources that will bring in profits. However, many investors have caught the world by surprise due to their decisions on taking the opportunity to raise their exposure to higher-risk investments [11].

In fact, most of the investors decided to hold on to their cash while others either reduced their investments or withdrew their investments and put them in cash. When the respondents were asked about the actions, 18% stated that they moved their investments into the cash section [11]. The factor raises the concern about the investors' future intentions, as is suggested by Rupert Rucker. "The survey gives an intriguing snapshot into investors' attitude to cash. Some investors view cash as a haven in times of crisis. Some respondents said they sold equities and switched into cash" [5]. Rupert also stated that while "more than a third of investors moved into higher-risk investments suggesting that most investors hold cash. Other less-volatile assets are seen as an 'opportunity pot' to spend when share prices fall to attractive levels." [5] In practice, history shows that it is very difficult to spot the best time to invest. The biggest problem facing those who switched into cash is likely to be the issue of when to go back into the market. Therefore, through the unpredictability of the investment sector, this paper will shed light on the investment sector during the pandemic.

E. *A Study on the Impact of Covid-19 on Investor Behaviour of Individuals in a Small Town in the State of Madhya Pradesh, India*

This research was conducted to identify how the pandemic has affected the investment and financial decision of personnel in small towns of India. The research involved examining the pandemic and the effects that it has caused globally not only on industries, but also in the lives of the people [4]. The study examined the impact of the pandemic in Madhya Pradesh (MP), India. One of the challenges MP faced include the lack of HR on their business premises and in various service sectors throughout the city. This study has a very limited research scope therefore further studies could be done to enhance development in the future. The study holds various limitations including the sample size of used was a small town in India which is very small and not generalizable. Additionally, the study did not issue mechanisms that could be used to improve investment after the pandemic [4].

The research identified that there was a high association between measures taken to prevent the spread of COVID-19 (such as lockdown and travel restrictions) and individual income; such preventive measures directly impacted savings and investment behaviour. The findings

were supported by a 43% drop in Systematic Investment Plan (SIP) during the pandemic. The decline was witnessed by both genders and did not vary with the investors' age. Hence, through looking at how the pandemic has affected MP, another small town like Ambon, this paper gains insight on how rural areas affect the investment and economy throughout the pandemic.

F. *Gaps in Previous Literature*

The problems with previous literature is the outdated and limited nature of it. In fact, the most recent and updated articles and books on this topic are limited and there are deficient studies on the effects of the COVID-19 pandemic on global investments. There is no specific literature that distinctly discusses the investment in Ambon. When it comes to investing during a pandemic, most literatures only focus on the quantitative side of research. These literatures are only able to collect numbers as data without ever analysing, evaluating and reflecting on the real conditions the pandemic has caused.

G. *Overview, Rationale and Hypothesis*

It should be noted that most of Ambon's investment comes from its resources. The two major natural resources that have substantial impact on Ambon's investment are the fishery and tourism sectors. The marine resources, plantations and agricultural resources, and energy and mineral resources have also effectively contributed to the development of the region's investment, but not as significant as the fishery and tourism sector. Due to the spread of COVID-19, the government has instructed to close Indonesia's border as well as implemented lockdown regulations and policies to minimize the spread. This resulted in a significant decrease in the number of tourists entering the country as well as the trade sector therefore affecting the investment of Ambon as a whole. This paper aims to explore the various mechanisms that should be implemented and therefore developed to improve investment in Ambon.

II. METHODOLOGY

The study uses a qualitative method which is a research method that seeks to uncover the universal essence of phenomena experienced personally by a group of individuals [2]. This study seeks to thoroughly examine the investment impacts of the COVID-19 Pandemic in Ambon, Maluku. The research data collection was carried out through interviews and documentation study techniques. Data analysis was carried out with three analysis processes: coding, combining code that appeared into the theme, verifying the theme through theory and follow-up interviews, and drawing conclusions [3]. In comparison, the validity mechanism applies to member checking, triangulation, multiple data sources, and looking for examples of replies [8].

III. RESULTS

A. Ambon's Investment Theory

The theory in this research is a systematic methodology applied on qualitative research. The methodology involves the development of theories through the collection and analysis of data. The theory begins with the question of how the COVID-19 pandemic has affected investment in Ambon.

From this research, three leading sectors in Ambon can be identified: Trade and Services, Fishery, and Tourism. From these three sectors, the research found that trade and services is the driving sector of Ambon's economy. With a population of more than 200,000 people, Ambon records higher household consumption than other areas in Maluku. Ambon has shown significant growth in the trade and services sector, due to high demand for goods. This high level of consumption in the Ambonese population generates opportunities for growth and expansion in the trade and services sector. The fisheries sector follows the trade and services sector as the penultimate driver of the Ambonese economy. Due to Ambon's geographic situation, this sector has become one of the leading sectors in the Ambonese economy. Ambon is a coastal city. As such, the people of Ambon consume fish as a staple in their daily dietary intake. Additionally, Ambon is being prepared to become the preeminent national fish repository by the central government, making the fisheries sector attractive to investors. The final leading sector is tourism. With vast resources at its disposal, Ambon is one of the leaders of marine tourism in Indonesia. Thereupon, the tourism industry is a leading sector in the city of Ambon.

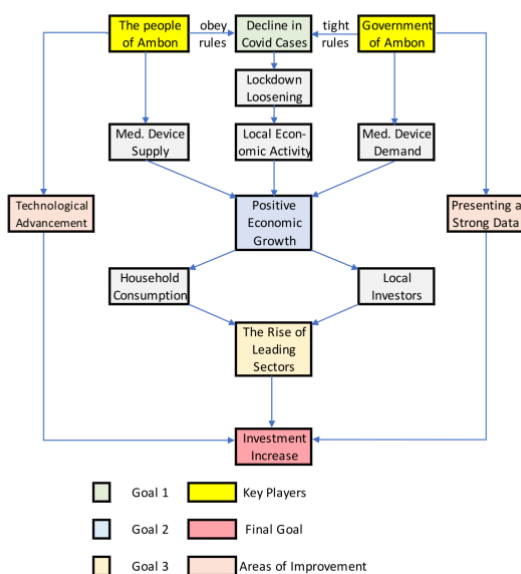


Fig. 1. Ambon's Investment Theory During The Pandemic

B. Covid-19: a pandemic that affected the investment in Ambon

In the early months of the COVID-19 pandemic (Semester 1 2020) Ambon's economy suffered a significant decline. The deceleration of the economy is a consequence of the inability of businesses to meet high demands across sectors due to the shutdown of businesses and industries. As government lockdown regulations are implemented throughout the country, industries are shut, wages and income are reduced, and employees are laid off. Moreover, the lockdown in most countries has limited the movement of both goods and people [9]. This resulted in not only a rise in unemployment, but also in investors backing out of investments due to an absence of prospects for profit in Ambon. As a consequence, investors withdrew investment from Ambon and redirected their capital elsewhere [7].

C. The Implications of the Covid-19 Pandemic towards the Trade and Services, Tourism and Fisheries sectors

This pandemic has devastated all business sectors which support Ambon's economy. This pandemic has forced people into decreased mobility. This adversely affects Ambon, because the underlying facilitators of economic activity are the transactions through the trade and services, tourism and fisheries sectors. Particularly, the trade and services sector is responsible towards the exchange of goods and services via physical and virtual markets. Ambon's leading sectors are predicated upon physical markets, requiring direct human interaction. The nature of Ambon's primary economic sectors makes a digital transition difficult, as exemplified by fisheries and tourism, which require direct contact. The findings also show that during the first half of 2020 the economy was negatively impacted as a consequence of the pandemic. Conversely, the data in Table 5 corroborates the interview results and findings, confirming an insignificant increase in investment towards the end of 2020. Despite the small margin of economic growth, the economy was still growing due to the demands of not only the technological sector but also the trade and services sector.

D. Government's role on investment growth during the Covid-19 pandemic

The government has raised government spending, in order to assuage rising economic distress. In order to create an income stream for the community, whilst battling COVID-19, the government has raised the state budget for health-related needs. This functions as a source of income for the community and fulfills the demands for medical devices generated by COVID-19. Although the trade and services sector was one of the most negatively affected industries, it has contributed significantly to

boosting the economy during the pandemic. This sector was able to do so, as it enabled the government to move and transport goods (such as personal protective equipment, polymerase chain reaction (PCR) kits and machines, vaccines) for the healthcare industry. This industry, along with the technological industry, has contributed significantly to rebuilding Ambon's economy.

E. Application of Covid-19 regulations in Ambon in ensuring future investment growth

The province of Maluku has made use of its resources to tackle the pandemic. The government has started introducing a sectoral development policy concentrated on the development of agriculture, fishery and tourism through grouping them into clusters. As the government works alongside with the people of Ambon in minimizing the transmission of COVID-19, the transmission rate in Ambon continues to decline. Towards the end of 2020, the lockdown restrictions in Ambon have been lifted and local economic activities return to normal. In the 4th quarter of 2020, Ambon has shown slow but positive economic growth. This means that Ambon successfully passed Goal 1 in the investment theory (see Figure 1). Currently, the government is making efforts to increase household consumption while implementing and simultaneously improving investment regulations to attract local investors to start investing again.

IV. DISCUSSION

After comparing and contrasting the data results from BKPM and the interviews, it can be deduced that the results are consistent with one another. As mentioned above, during the first half of 2020, there is a significant decrease in the investment sector in Ambon (see Figure 2).

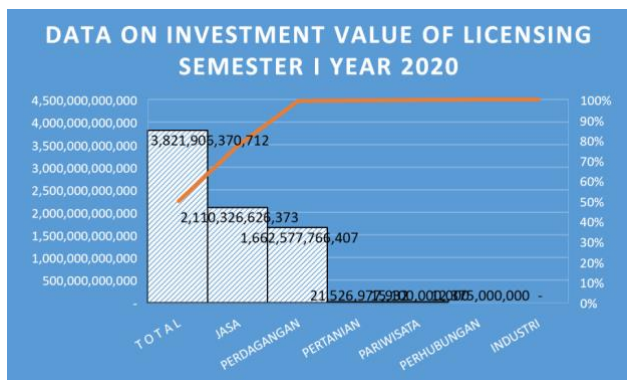


Fig. 2. Investment Graph First Semester 2020

According to one of the interviewees, the investment in Ambon is predicted to have a “Nike Swoosh”-shaped recovery (see Figure 3) [1]. This is because the pandemic will first negatively affect the investment sector significantly, then with the passage of time, the pandemic

will force Ambon to utilize the advancement of technology in every sector therefore resulting in a significant positive spike in the investment sector in the future.

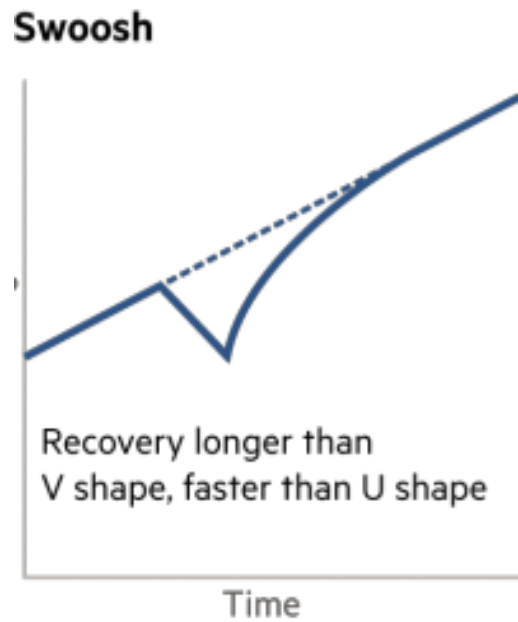


Fig. 3. “The Nike Swoosh” Recovery

Therefore in order to enhance investment in Ambon, authorities should implement the development of strategies to boost local businesses, focusing on using e-commerce and technology-based means in the operation of any businesses as most people are working from home [10]. The local businesses refer to the trade and services, fisheries and tourism sectors. When the government fully supports, encourages and promotes the development of local businesses, these sectors should then evolve, progress and develop to become ready to accept investors. Then, the government and authorities should encourage investors to invest in local businesses which can in turn aid the growth of investment and therefore the economy of Ambon.

V. CONCLUSION

In conclusion, this paper has effectively discussed how the COVID-19 pandemic affected the investments in Ambon. This research showed that the effects of the pandemic is very significant to the growth of investment in Ambon. The pandemic has adversely affected the economic sector by withholding major lockdowns around different countries globally. With most countries being on lockdown, the travelling and tourism sector has been negatively affected hence resulting in a recession of the world economies as a whole.

When the key players' efforts are successful, leading sectors in Ambon will rise from the turmoil of the

COVID-19 pandemic, as can be seen in Goal 3 in investment theory (see Figure 1). In order for Ambon to achieve the final goal, which is to significantly increase investment in Ambon, it is necessary to have strong efforts and cooperation from all key players, in this case the people of Ambon and the Ambon's government.

Considering the fact that we are in industry 4.0, the community needs to develop skills in the field of technology. On the other hand, the government needs to present strong and legitimate data to promote the investment in Ambon through different digital platforms such as websites and social media. This data is very important for investors, especially investors from outside Ambon as they need to visualize the data presented before setting foot in Ambon.

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