

THE STRATEGIC ROLE OF DPMPTSP OF EAST JAVA PROVINCE IN IMPROVING THE REGIONAL INVESTMENT CLIMATE

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Abstract

Investment growth in East Java demonstrates the contradiction between high domestic investment (PMDN) realization and low foreign direct investment (FDI), thus emphasizing the strategic importance of the DPMPTSP (Directorate General of Private Investment) in strengthening the regional investment climate. This study analyzes the role of DPMPTSP through a descriptive qualitative approach, focusing on its regulatory, administrative, and facilitative functions. The results show that the regulatory role is realized through the harmonization of central and regional policies and strengthening legal certainty through the implementation of OSS-RBA. From an administrative perspective, DPMPTSP improves service efficiency through licensing digitization and procedural simplification. Meanwhile, its facilitative role is evident in investor assistance, resolving cross-sectoral obstacles, and promoting IPRO projects. These three roles encourage increased domestic investment (PMDN), although institutional quality and regional competitiveness remain major obstacles in attracting foreign direct investment (FDI). Overall, optimizing the role of DPMPTSP is a key factor in creating a competitive and sustainable investment climate in East Java.

Keywords: Capital investment, DPMPTSP, Investment Climate, OSS-RBA, PMA, PMDN.

A. INTRODUCTION

East Java Province's position as a key pillar of the national economy continues to strengthen. As of the third quarter of 2025, East Java's contribution to Java Island's Gross Regional Domestic Product (GRDP) reached approximately 25.65%. This performance is supported by economic growth of 5.22% year-on-year (y-o-y), making it the highest on Java Island (JATIM, 2025). This condition indicates that East Java is a center of regional economic growth, supported by the services sector, manufacturing industry, strong household consumption, exports, and investment (BPS East Java Province, 2025). Sustainable investment growth is a crucial pillar in driving regional economic development, contributing to job creation and increased production capacity (BAPPENAS, 2015; Sengaji & Sakti, 2019).

Investment performance in East Java demonstrates significant potential. In the January–September 2025 period, East Java's Domestic Direct Investment (PMDN) realization reached IDR 72.5 trillion, ranking fourth nationally, or 9.2% of the national total. This data indicates high domestic investor confidence in the region's prospects. However, in terms of Foreign Direct Investment (PMA), East Java still faces serious challenges. PMA realization during the same period only reached US\$2.0 billion, or approximately 5.1% of the national total, lower than other provinces such as West Java, Central Sulawesi, and DKI Jakarta (Downstream Investment Coordinating Board/BKPM, 2025). This gap indicates that despite

its substantial economic potential, the region's competitiveness in attracting foreign investors is still suboptimal (Benny & Supriyanto, 2024).

Interestingly, investment, particularly Foreign Direct Investment (FDI), does not solely depend on market potential or infrastructure. Several studies confirm that factors such as ease of licensing, regulatory transparency, the effectiveness of administrative processes, and the quality of governance are key determinants of foreign investment decisions (Sari, 2015). In this context, although East Java has adequate infrastructure, the bureaucracy's ability to provide responsive public services must be continuously strengthened. Complicated or opaque licensing services can act as a significant bottleneck that can discourage investor interest.

Therefore, the East Java Provincial DPMPTSP plays a highly strategic role. As the agency responsible for licensing services, assistance and facilitation for investors, and regional promotion, the DPMPTSP is required to be a key actor in creating a conducive investment climate. By implementing national policies through the Online Single Submission-Risk Based Approach (OSS-RBA) system, the DPMPTSP is obligated to provide efficient services, implement proactive investment promotion, and provide comprehensive assistance to investors (Negara & Keuangan, 2021).

Given the still-low realization of FDI amidst high economic potential, it is crucial to examine the strategic role of the East Java DPMPTSP. This study aims to analyze the strategic role of the East Java Province's Investment and Investment Management Agency (DPMPTSP) in improving the regional investment climate, focusing on licensing services, investor facilitation and assistance, and regional promotion. Through a descriptive qualitative approach, this study is expected to identify the DPMPTSP's tangible contributions and identify bureaucratic challenges that need to be addressed to strengthen East Java Province's competitiveness as a leading investment destination in Indonesia.

B. LITERATURE REVIEW

Role theory explains that each individual or organization defines a set of expected behaviors according to their social position. According to Biddle (1986), roles are formed through social expectations and norms that govern how an actor should act in a given context. Role theory has several models, such as Functional Role Theory, Organizational Role Theory, and Cognitive Role Theory, each of which describes how behavior, norms, and expectations shape task performance within a social or organizational structure. In the context of providing investment services, this theory explains how the DPMPTSP must adapt its functions and service mechanisms to regulatory changes, investor needs, and the government's orientation toward efficiency and transparency through the OSS-RBA system. From a role theory perspective, the DPMPTSP is not merely an administrative agency but also a strategic actor that carries out normative roles (complying with regulations), functional roles (providing licensing services), and strategic roles (promoting the investment climate). Thus, this theory provides a strong theoretical basis for analyzing how the DPMPTSP responds to policy demands and adapts its organizational behavior to improve the quality of investment services.

C. RESEARCH METHODOLOGY

The method used for this research is descriptive qualitative research. This approach aims to provide an in-depth overview of the phenomenon under study through the collection, processing, and analysis of qualitative data. According to Sugiyono in his research (Dr. H. Zuchri Abdussamad, S.I.K., 2021), qualitative descriptive research utilizes various literature sources, such as books, scientific journals, articles, and online reference sources, to gain a comprehensive understanding of a topic.

Through a descriptive qualitative approach, researchers can extract data from various sources, such as policy documents, activity reports, field observations, and information from informants, to describe how licensing services, assistance and facilitation for investors, regional promotion are implemented, and the factors that support and hinder them. Thus, this method allows researchers to interpret phenomena comprehensively and in accordance with the research objectives, which focus on analyzing the role, contribution, and challenges of bureaucracy in developing the investment climate in East Java.

D. RESULT AND DISCUSSION

Investment is a key driver of national economic growth (Purwowidhu, 2025), including in East Java Province, one of Indonesia's largest centers of economic activity. Investment, both foreign (PMA) and domestic (PMDN), serves not only as a source of capital but also as a means of technology transfer, increasing production capacity, and creating jobs (Benny & Supriyanto, 2024). In East Java Province, the role of investment is increasingly crucial given the province's significant contribution to Java's and the nation's GRDP, as well as its position as a center for the processing industry and trade. Therefore, a proper understanding is essential for formulating policies to develop a more conducive and competitive investment climate, capable of sustainably strengthening East Java's economic competitiveness.

Government Regulation Number 28 of 2025, a revision of Government Regulation 5 of 2021, marks a significant milestone in efforts to simplify business licensing procedures and reduce various administrative barriers that have hampered investment flows (Yuliana, 2025). This regulation also strengthens legal certainty for business actors, thus expected to improve the quality of the national investment climate. The issuance of this PP reflects the government's commitment to providing a more efficient, adaptive, and integrated licensing system through the OSS RBA digital platform. It also highlights the importance of the next four-month transition period as a strategic period to accelerate the adjustment of derivative regulations, system updates, and transform the bureaucratic work culture to ensure optimal policy implementation (Industry, 2025).

The change in investment policy in Indonesia through the implementation of the Online Single Submission–Risk-Based Approach (OSS-RBA) represents a crucial momentum for the East Java Province DPMPTSP in strengthening the regional investment climate. The transition from license-based to risk-based licensing requires local governments to improve digital capacity, data integration, and service quality. In accordance with East Java Governor Regulation No. 45 of 2019, the East Java DPMPTSP, as the agency that bridges central government policies with regional needs for provincial government affairs in the field of investment and one-stop integrated services, encompasses policy formulation, implementation, evaluation, and reporting in the capital sector, as well as administrative management of government agencies to provide integrated, efficient, and convenient licensing and non-licensing services for investors (Timur, 2019).

The implementation of investment policy in East Java is currently in a crucial transition phase toward service digitization through the Online Single Submission – Risk-Based Approach (OSS-RBA). This transformation not only changes the technical aspects of licensing but also demands a shift in the strategic role of the DPMPTSP as a key actor in regional investment governance. To understand this complexity, an analysis of the DPMPTSP's role using the Role Theory framework developed (Horst et al., 2016) is relevant, as this theory explains that each public organization performs a specific role shaped by environmental expectations, regulatory norms, and system needs. In the context of East Java, DPMPTSP no longer acts merely as a permit issuer, but as a regulator, facilitator, inter-institutional liaison, and driving force for regional economic development.

The DPMPTSP's regulatory role is evident through efforts to harmonize central and regional policies in the implementation of the OSS-RBA. This policy shifts the licensing paradigm from a permit-based approach to a risk-based one, requiring regional governments to develop derivative regulations aligned with central regulations. In line with analysis (Rosidi et al., 2022), the biggest challenge at the beginning of the OSS-RBA implementation in the regions was the lack of synchronization of data systems between sectors, resulting in slow verification of licensing commitments. This situation led to uncertainty regarding service duration, particularly in medium- and high-risk sectors. To address this, the East Java DPMPTSP strengthened its regulatory role by drafting Regional Regulations and Gubernatorial Regulations related to regulatory simplification, investment incentives, and information system integration. These harmonization efforts have a direct impact on increasing business certainty, a key factor in creating a conducive regional investment climate.

In addition to its regulatory function, the DPMPTSP also plays a crucial administrative role, ensuring that all licensing services are efficient, transparent, and comply with operational standards. Judge (2013) explains that the administrative role in public organizations is related to process management, work efficiency, and accountable service delivery. In this context, the DPMPTSP improves service quality through licensing digitization, streamlining service flows, accelerating document verification, and enhancing staff's ability to operate the OSS-RBA system. This improvement in the quality of administrative services has a significant impact on investor interest, particularly domestic investors, who are more sensitive to speed and procedural clarity.

The facilitative role is also a key focus in the DPMPTSP's efforts to improve the investment climate in East Java. Facilitation is realized in the form of intensive mentoring for investors, particularly for strategic projects categorized as Investment Project Ready to Offer (IPRO). This facilitative role is particularly relevant when businesses face obstacles such as delays in permit validation, land conflicts, zoning discrepancies, or delays in system integration. Findings (Maharani, n.d.; Riska Radiani, 2025) indicate that the success of OSS-RBA implementation is determined not only by system quality but also by the local government's ability to provide process clarity and resolve obstacles promptly. The DPMPTSP acts as a problem solver, bridging the interests of the business community with technical agencies such as the National Land Agency (BPN), the Environmental Agency, the Transportation Agency, and other sectoral agencies.

Field analysis shows that the DPMPTSP's strategic role has a direct impact on investment patterns in East Java, which demonstrates a disparity between Domestic Investment (PMDN) and Foreign Investment (PMA). PMDN recorded a very high figure, reaching IDR 72.5 trillion, placing East Java among the provinces with the highest domestic investment realization in Indonesia. The high interest of domestic investors is inextricably linked to the effectiveness of DPMPTSP services, the availability of infrastructure such as toll roads, ports, and industrial areas, and the procedural certainty in licensing. (Simeon et al., 2022) showed that infrastructure has a significant positive relationship with increased domestic investment in East Java. These findings reinforce the importance of a fast, clear, and digitally-based service strategy for positively impacting domestic investor perceptions.

On the other hand, East Java's FDI remains at a moderate level, at US\$2.0 billion, or approximately 5.1 percent of the national total. Barriers to FDI entry are not only related to economic potential but also to institutional quality. (Muhammad Ubaidillah Al Mustofa, 2021) emphasized that foreign investors are more sensitive to institutional factors such as legal certainty, policy stability, and the level of transparency and integrity of the bureaucracy. The perception that bureaucratic procedures are not fully aligned with global standards is a

particular obstacle for foreign investors. Furthermore, based on the OLI (Ownership, Location, Internalization) theory developed by Dunning (2023), foreign investors prefer locations with mature supply chain ecosystems. West Java, for example, has a manufacturing industry ecosystem that has been established for decades, making it a more attractive destination for FDI than East Java. Findings (Nuryadin, 2005) confirm that locations with agglomeration advantages tend to be more competitive in attracting foreign investors. In the context of regional economic development, the implementation of the DPMPTSP's strategic role is increasingly evident through efforts to promote regional potential into concrete investment projects. This approach aligns with the Strategic Public Management perspective of (A, Kartini Sari Putri D, S.M., 2023), which emphasizes that public organizations must be able to direct resources, policies, and programs to generate public value. The DPMPTSP plays a role in orchestrating the downstreaming process of regional potential, ensuring that investment projects are not only administratively ready for promotion but also technically, legally, and economically feasible. (Arief Nugroho Wibowo, Heru Subiyantoro, Sugiyanto, 2025) emphasize that foreign investors require clarity on land status, technological readiness, and legal certainty before entering a project. Therefore, the DPMPTSP now plays a more strategic facilitator role, ensuring all legal elements and project readiness are clean and clear. The DPMPTSP's strategy to accelerate investment involves developing fiscal incentive regulations, data-driven investment promotion, simplifying licensing procedures through the East Java Online Single Submission (JOSS), and strengthening cross-sectoral coordination to resolve investment issues. These efforts strengthen East Java's attractiveness as a competitive investment region, not only domestically but also internationally. The combination of professional promotion and strong regulatory governance not only enhances the credibility of the local government but also strengthens investor confidence, closes the gap between foreign direct investment (PMA) and domestic direct investment (PMDN), and has the potential to accelerate East Java's sustainable economic growth.

Based on the overall analysis, it can be concluded that the DPMPTSP's strategic role operates through three main dimensions: the regulatory dimension, which strengthens legal certainty; the administrative dimension, which improves the quality of public services; and the facilitative dimension, which accelerates investment realization and enhances the region's attractiveness. These three dimensions interact to create a conducive, inclusive, and sustainable investment climate for East Java's economic development.

E. CONCLUSION

This research shows that the East Java Provincial Investment and Investment Management Agency (DPMPTSP) plays a strategic and decisive role in shaping the regional investment climate, particularly amidst the dynamics of economic growth and the disparity between domestic and foreign investment (PMDN) realization. The DPMPTSP's regulatory role has proven crucial in strengthening legal certainty and aligning regional policies with the implementation of the OSS-RBA (Regional Investment System), which serves as the primary foundation for regulatory simplification and accelerated business licensing. Furthermore, its administrative role can improve the quality of public services through licensing digitization, procedural efficiency, and bureaucratic professionalism, which directly impact domestic investor confidence. The DPMPTSP's role as a facilitator can strengthen investment attractiveness through comprehensive assistance, resolving cross-sectoral obstacles, and strengthening investment promotion based on IPRO projects.

This performance has driven high PMDN realization in East Java, but is not yet strong enough to significantly increase FDI. The FDI gap is due to institutional factors, suboptimal system integration, and lagging regional competitiveness compared to regions with more

mature industrial ecosystems. Overall, this study concludes that strengthening regulatory governance, increasing administrative service capacity, and more proactive investor facilitation and assistance are key to building a competitive, inclusive, and sustainable investment climate for East Java's economic development.

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