

Unlocking Indonesia's Investment Potential with OSS: Where Ease Meets Certainty



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ABSTRACT: This paper discusses the pivotal role of investment in the business landscape and the challenges faced by foreign investors in Indonesia, primarily due to a complicated and fragmented licensing process. The implementation of the Online Single Submission (OSS) system is introduced as a solution to streamline and standardize licensing procedures. It adheres to the principle of providing good service and has proven effective in attracting and facilitating business actors to register their licenses. The OSS system is expected to not only ease the process but also boost investment interest, thus enhancing Indonesia's investment climate.

I. INTRODUCTION

Development and the economy in Indonesia necessitate that the Indonesian government becomes more open to investment, both from domestic and foreign sources, to obtain capital for various regions of the Republic of Indonesia (Pujiono, 2022). However, the investment schemes initiated by the government have, in reality, struggled to attract investors, especially foreign ones. This is evident from the Ease of Doing Business (EoDB) index published by the World Bank, which ranks Indonesia 73rd, placing it below countries like Vietnam (69th) and Malaysia (15th) (K. Harjono, 2009). The low EoDB ranking in Indonesia, according to Muhammad Faisal, Executive Director of the Center of Reform on Economics (Core), can be attributed to the complex and convoluted processes and procedures for investment licensing, as well as the absence of legal certainty for potential investors (Pujiono, 2022). These intricate licensing processes result from the existence of dual investment regulations in Indonesia, specifically Law No. 1 of 1967 on Foreign Investment (PMA) and Law No. 6 of 1968 on Domestic Investment (PMDN). This legal dualism has led to discriminatory investment policies, discouraging foreign investors from investing in Indonesia, even though the government strongly requires foreign capital to boost overall economic activity (Fitri, 2021).

To address these challenges and adapt to changes in the global economy, the Indonesian government has undertaken legal reform in the investment sector. This reform serves as both a response to international cooperation and a means to create a favorable investment climate, ensuring legal certainty, fairness, and efficiency while safeguarding national economic interests (Izhandri et al., n.d.). One significant aspect of this reform is the issuance of Government Regulation No. 24 of 2018, which introduces the Electronic Integrated Business Licensing Services, commonly referred to as the online single submission (OSS). This regulation governs the management of licenses and designates authorized institutions for issuing licenses. The OSS system aims to treat investors equally by simplifying investment requirements and procedures, a response to the intense global competition to attract foreign capital and a means of offering legal certainty through an investor-friendly climate.

Government Regulation No. 24 of 2018, establishing the Electronically Integrated Business Licensing Services or OSS, presents a promising area for in-depth research, particularly regarding its implementation. Consequently, the central question addressed in this article is the role of online single submission (OSS) in state administrative law reform, specifically in facilitating investment ease, and its impact on increasing the interest of foreign investors in investing in Indonesia.

II. DISCUSSION

Investment plays a pivotal role in every country's business activities, whether it's foreign direct investment or domestic investment. Foreign investment, often referred to as foreign direct investment, offers a myriad of benefits, including the multiplier effect, to the recipient country. These benefits encompass absorbing labor, generating demand for domestic products as raw materials, contributing foreign exchange (especially if foreign investors focus on exports), increasing state revenue through taxation, and facilitating the transfer of technology and know-how (Muchsini, 2003).

In light of these advantages, the Indonesian government endeavors to attract foreign investors to invest in Indonesia by upholding principles such as openness, legal certainty, and equal treatment. These principles reflect the government's commitment to protect and provide a fair and equitable environment for investors (RS & Chuzai, 2019).

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Regrettably, there are several shortcomings that undermine the confidence of foreign investors in Indonesia, and one of these is the intricate and labyrinthine licensing process. This contradicts the investors' need for a streamlined and legally certain business environment. The myriad of state institutions, both at the central and regional levels, responsible for granting licenses leads to a complex and time-consuming process. An example is the authority given to local governments in Law No. 23 of 2014 concerning Regional Government, enabling them to issue licenses. This authority is often used as a source of local revenue, further complicating the licensing landscape. As a result, various institutions hold the authority to grant licenses, leading to a proliferation of legal instruments in the licensing sector, culminating in complicated procedures, lengthy processing times, and high costs that ultimately result in legal uncertainty (Helmi, n.d.).

Efforts to simplify the process, such as the one-stop service system, were introduced and further improved with the one-roof service system, which didn't substantially alleviate the issues faced by investors. Even though the concept aimed to streamline procedures, investors still found themselves grappling with complex requirements, unpredictable timeframes, and high costs. To address these challenges, the Indonesian government issued Circular Letter of the Minister of Home Affairs Number 503/125/PUOD concerning the Establishment of One Roof Integrated Services and Instruction of the Minister of Home Affairs Number 25 of 1998 concerning One Roof Integrated Services. These measures were meant to optimize the functioning of the one-stop integrated service at the regional level.

However, these initiatives faced their own set of problems, particularly in licensing mechanisms and coordination between Regional Work Units (SKPD), which hindered the optimal performance of the licensing process. In response, the Indonesian government introduced Minister of Home Affairs Regulation Number 24 of 2006 concerning Guidelines for the Implementation of One-Stop Integrated Services (PTSP), with the hope of enhancing business license management through a "one-stop service" offering integrated license management services (Pujiono, 2022).

Regrettably, the implementation of PTSP did not yield satisfactory results in terms of service quality. Issues in the PTSP licensing system stemmed from the absence of a clear work pattern and work relations among institutions with licensing authority. This was compounded by factors such as not all licensing and non-licensing services being delegated to DPMPTSP, the lack of an effective and efficient work relations pattern in licensing and non-licensing services, the failure to integrate licensing authority, and the broad scope of the licensing sector (Izhandri et al., n.d.).

To address these challenges and shift the concept of public service delivery from "being served" to "serving," the government issued Government Regulation (PP) No. 24/2018 concerning Electronically Integrated Business Licensing, commonly known as the Online Single Submission (OSS). This regulation was aimed at providing a streamlined, electronic system for ministers, heads of institutions, governors, or regents/mayors to serve business actors through an integrated electronic platform, representing a significant change in the approach to business licensing.

The Online Single Submission (OSS) system embodies the "good service principle" as outlined in Article 10, paragraph (1), letter h of Law Number 5 of 2014 concerning Government Administration, which defines it as providing timely services with clear procedures and costs, adhering to service standards and the provisions of laws and regulations. Simplifying licensing requirements and procedures is crucial in attracting investors to invest their capital, as investment aims to:

- a. Improve people's welfare.
- b. Increase national economic growth.
- c. Create employment opportunities.
- d. Increase sustainable economic development.
- e. Enhance the competitiveness of the national business world.
- f. Boost the capacity and capability of national technology.
- g. Encourage the development of the people's economy.
- h. Transform economic potential into real economic power using funds from within the country or abroad (Izhandri et al., n.d.).

These investment objectives can be met through improved coordination between central and local government agencies, fostering an efficient bureaucracy, providing legal certainty, reducing economic costs, and creating a conducive business environment for labor and business security. Stronger coordination in licensing is essential, especially in light of technological advancements in telecommunications and information and in anticipation of economic globalization, which underlies the issuance of regulations for the Electronically Integrated Business Licensing system, or OSS, by the Indonesian government (Assegaf et al., 2019). The implementation of OSS in the licensing sector is also driven by the need to standardize licensing procedures and processes across Indonesia and integrate the business licensing system (Radjab, 2015).

The implementation of the Electronic Integrated Business Licensing system is based on several considerations:

- (a) To accelerate and enhance investment and business activities, it's essential to implement electronically integrated Business Licensing services.
- (b) To adhere to the provisions of Article 25 of Law Number 25 of 2007 on Capital Investment, as well as Article 6 and Article 7 of Law Number 23 of 2014 on Regional Government, which has been amended several times, most recently by Law Number 9 of

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2015 on the Second Amendment to Law Number 23 of 2014 on Regional Government, it's necessary to establish a Government Regulation on Electronically Integrated Business Licensing Services.

The Electronic Integrated Business Licensing System is expected to offer numerous benefits, such as:

1. Streamlining the processing of various business licenses, including location, environment, building permits, business licenses, and operational licenses for business operations at both the central and regional levels, with a mechanism for fulfilling permit requirement commitments.
2. Allowing business actors to connect with all stakeholders and obtain permits securely, quickly, and in real time.
3. Facilitating business actors in reporting and resolving licensing issues in one place.
4. Enabling business actors to store licensing data under a single business identity (NIB). These benefits are expected to indirectly expedite the licensing process and attract investors, especially foreign investors, to invest in Indonesia (Fitri, 2021).

Investors consider several factors before making an investment, including:

1. Country Risk, which encompasses aspects of political stability and security and plays a significant role in investment decisions.
2. Bureaucracy (Red Tape), with a protracted bureaucracy often resulting in additional costs that deter investment.
3. Transparency and Legal Certainty, which are essential in creating a predictable and legally secure investment environment.
4. Transfer of Technology, as regulations regarding the transfer of technology from the host country can influence investor interest, particularly when technology is a valuable asset for business development (Fitri, 2021).

The Electronic Integrated Business Licensing System, or Online Single Submission (OSS), has indeed introduced much-needed convenience and legal certainty for both domestic and foreign investors, making it an attractive option for investment in Indonesia. One of the key differences between the OSS system and the previous system lies in the sequence of license issuance and the fulfillment of business actors' requirements or commitments.

Under the OSS system, the license is typically issued first, and then the business actors are expected to fulfill their requirements or commitments within a specified timeframe. In contrast, the old system required several administrative matters to be completed before the license was issued, and it often involved the construction of infrastructure as a prerequisite.

According to research data conducted by researchers at the Investment Coordinating Board of Indonesia (BKPM), data from 2019 reveals a significant increase in the number of projects and the total investment value from foreign investors in Indonesia. This indicates that the introduction of the OSS system had a positive impact on foreign investment, making the process more efficient and investor-friendly. However, for specific figures and more detailed data, you would need to refer to the research findings and reports provided by BKPM or other official sources.

Tabel 1. Data Jumlah Proyek dan Nilai Investasi Asing Tahun 2019

Data Investasi PMA Tahun 2019	Periode Januari-Maret	Perode April - Juni
Jumlah Investasi (US \$ Juta)	6.080.722,6	6.992.000,3
Jumlah Proyek	9.815	12.911

Sumber: BKPM September 2019

Tabel 2. Data Jumlah Pelaku Usaha yang Telah Melakukan Pendaftaran Melalui OSS

Pelayanan Perizinan Berusaha Melalui OSS Periode 9 Juli 2019 – 30 September 2019	Jumlah	Rata-Rata per hari
Registrasi	781.715	1.745
Aktivasi Akun	728.170	1.625
Nomor Induk Berusaha (NIB)	706.505	1.576
Izin Usaha	926.108	2.067
Izin Komersial/operasional	361.321	807

Sumber: Data dari BKPM September 2019

Furthermore, the success of OSS in capturing investment license registrations is also illustrated in the following data : Thus, it is hoped that OSS can facilitate incoming investment and continue to increase the number of business license registrations that need to be made by business actors, so that this will help increase investment interest in Indonesia.

III. CONCLUSION

Investment indeed plays a crucial role in the business activities of every country, whether in the form of foreign direct investment (PMA) or domestic investment (PMN). However, in the case of Indonesia, there have been various challenges that have hindered the confidence of foreign investors. One significant issue has been the complex and convoluted licensing process. This complexity runs contrary to the needs of investors who seek ease and legal certainty in conducting business. The multitude of government

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bodies responsible for granting licenses, both at the central and regional levels, has led to numerous institutions with the authority to issue licenses, from the highest state administrative agencies to the lowest.

The implementation of the Online Single Submission (OSS) system addresses these challenges and seeks to standardize licensing procedures and processes across Indonesia. It also aligns with the principle of good service as outlined in Article 10, paragraph (1), letter h of Law Number 5 of 2014 concerning Government Administration. The OSS system has not only been useful but has also proven to facilitate and attract more business actors who wish to register their business licenses. This simplification and streamlining of the licensing process is expected to stimulate investment interest in Indonesia by making it easier for investors to navigate the administrative hurdles. The hope is that OSS will continue to facilitate incoming investment and increase the number of business license registrations in the country, thereby fostering a more favorable investment climate in Indonesia.

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