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Licensing Service Efficiency in Bandung City

Kurniadi¹, Syafei Ibrahim²

¹ Entrepreneurship Department, BINUS Business School Undergraduate Program, Bina Nusantara University, Jakarta, Indonesia. Email: kurniadi003@binus.ac.id

² Department of Public Administration, Iskandar Muda University, Banda Aceh, Indonesia.
Email: syafeibrahim@yahoo.com

Abstract

The public service system is determined by the standardization of public services regulated in laws and regulations. Therefore, a common perception is needed between the bureaucratic apparatus and the community in terms of service delivery, especially in the investment sector in order to improve the performance of investment services both at the central and regional levels. Licensing is an instrument of government policy to control negative externalities that may be caused by social and economic activities. Permits are also an instrument for efficient and fair allocation of public goods, preventing information asymmetry, and legal protection of ownership or operation of activities. As an instrument of control, licensing requires clear rationality and is stated in the form of government policy as a reference. Without rationality and a clear policy design, licensing will lose its meaning as an instrument for defending the interests of the community over individual actions. Problems in the field of licensing in the city of Bandung, namely licensing services in the city of Bandung which have been implemented since 2001 are still considered ineffective, so that the performance of licensing services is still low. To carry out business licensing properly, a comprehensive analysis is needed to simplify licensing (Abolish, Combine, Simplified, Decentralized).

Keywords: Public Service, Licensing, Efficiency

1. Preliminary

The implementation of autonomy brings a series of fundamental changes in the administration of local government. The administration of government is essentially the provision of services to the community and creating a condition that allows the community to develop their abilities and creativity in order to achieve prosperity. The basic assumption of regional autonomy is that if the government is within the reach of the community, of course services will become faster, more efficient, cheaper, responsive, accommodating, and productive.

The public service system in responding to the dynamics that occur in society, especially those related to investment service issues is largely determined by the standardization of public services regulated in laws and regulations. Therefore, a common perception is needed between the bureaucratic apparatus and the community in terms of service delivery, especially in the investment sector in order to improve the performance of investment services both at the central and regional levels.

Public service is the duty and obligation of the government, it is a form of government responsibility to its people. In the constitution of the Republic of Indonesia, this is stated in the preamble of the 4th paragraph of the 1945 Constitution, which includes 4 (four) aspects of the government's main services to the community, namely protecting the entire Indonesian nation and the entire homeland of Indonesia, promoting public welfare, educating the nation's life, and carrying out order world. The scope of public services and services (public services) covers very broad aspects of people's lives, starting from when someone is in the womb when examined by a doctor, taking care of a birth certificate, taking education in public schools, enjoying food whose market is managed by the government, occupying government-subsidized housing, obtaining various permits related to the business world he is involved in until someone dies and requires a cover letter and death certificate.

In line with this, local governments must prioritize service to the community, through various activities and programs in an effort to improve service quality. In this context, the government needs to empower community groups themselves as providers or implementation of public services. In other words, the government's job is to help people to be able to help themselves (helping people to help themselves). This is actually what is meant by the principle of self-help or steering rather than rowing (Osbourne and Gaebler, 1992: 29).

The good and bad quality of public services is one of the factors that determine the progress of the existence of a nation. Various survey results and studies state that the economic progress of a nation is determined, among others, by quality public services. In fact, the availability of quality public service facilities is one of the factors that determine a country's ability to compete in the global economic arena. Therefore, the government, both at the central and regional levels, as well as all components of society, need to work together to continue to encourage and oversee so that quality public services can be delivered immediately.

The city of Bandung as the capital city of West Java Province has an important role as a driver of the economic growth rate of West Java. The rate of economic growth of the city of Bandung, growing significantly, ie from 7.57% in the year 2018 to 7.75% in the year 2019 (BPS, 2020), the condition is already above LPE West Java, namely 5,06% in 2018 to 5.60% in 2019. Based on the Gini Ratio calculation, it is estimated that 40% of the population receives an income of 13.44% of the entire Product Domestic Regional Bruto (PDRB), while the remaining 60% of the population receives from 86.56% of the entire PDRB, thus disparities in the distribution of income in the city of Bandung still occur. The results of SWA magazine's research on the investment attractiveness of a region, based on the expectations and reality expected by residents and entrepreneurs in 45 cities in Indonesia. *City branding index* is formed based on socioeconomic conditions and other public indexes. The form of the index is as follows:

	County/ town	PDRB/ Capita	Expenditure Per Capita	IHK inverse	AHH (Year)	AMH (Percent)	RLS (Year)	Total Value
1	City of Batam	248	102	107	101	103	114	134.78
2	City of Surabaya	202	101	101	100	101	103	121.65
3	City of Yogyakarta	83	102	99	105	101	115	100.46
4	City of Cilegon	212	100	98	98	103	101	122.49
5	Regency. Badung	96	99	101	103	90	93	97.09
6	City of Bandung	81	89	98	100	103	108	97.45

	County/ town	Marketing Service Index	Investments & Tourism Index	Communication Index	Total Value	Indonesian City Branding Index
1	City of Batam	139	117	122	126.01	131.27
2	City of Surabaya	69	156	152	126.04	123.41
3	City of Yogyakarta	139	117	152	136.17	114.74
4	Regency. Cilegon	139	78	91	102.83	114.62
5	Regency. Badung	139	156	122	139.03	113.87
6	City of Bandung	104	156	152	137.62	113.52

Source: SWA Magazine Edition XXIII

Economic growth in a region is supported by various factors, including: population, area, investment, inflation rate and government spending. The results of Swa magazine's research on the investment attractiveness of a region, based on the expectations and realities of residents and entrepreneurs in 45 cities in Indonesia, are grouped into infrastructure, socio-economic factors and permits. Factors per permit an observed is per permit an effort, IMB, and ID cards. From the survey, it is known that in terms of per permit an effort, permit and ID card service is still below the average of other local services, but for a permit an IMB and ID card service is quite good, (rank 8). The recapitulation of the level of service and the expectations of the people of Bandung is ranked in the top 10.

BUSINESS LICENSE				
		Hope	Reality	SCORE
1	GORONTALO	4.42	3.59	81.14
14	BANDUNG	4.41	2.77	62.90
	Service Average		70.13789	
IMB/HGB/SHM				
		Hope	Reality	SCORE
1	KUTAI	4.66	3.83	82.08
8	BANDUNG	4.15	3.02	72.79
	Service Average		72.32942	
ID card				
		Hope	Reality	SCORE
1	KUTAI	4.80	4.21	87.65
8	BANDUNG	4.29	3.15	73.53
	Service Average		74.19814	

Source: Majalah SWA Edition XXIII

Permit an instrument of government policy is to exercise control over the negative externalities that may result in social and economic activities. Permits are also instruments for efficient and fair allocation of public goods, preventing information asymmetry, and legal protection of ownership or operation of activities. As an instrument of control, permits require clear rationality and are stated in the form of government policies as a reference. Without rationality and a clear policy design, permits will lose their meaning as an instrument for defending the interests of the community over individual actions.

Based on the above considerations, it becomes clear that economically the legal requirements for the application of a permit must stem from the presence or absence of market failures - negative externalities, misallocation of public goods, information asymmetry, and property rights violations that may be caused by certain activities carried out by individuals or groups. If a permit appears without a clear basis, it is best if the permit is revoked, or materially re-examined, because it will distort the investment climate and create a disincentive for economic growth.

The general case in licensing in Indonesia shows that the formulation and implementation of policies are still characterized by weaknesses in: 1) the process of formulating licensing policies is still not participatory; 2) The rationality used in determining permits is not yet clear; 3) There is a tendency to make permits functioned as an income instrument; 4) institutional instrument for processing and monitoring permits; 5) rationality of policies and institutional instruments as well as local government capacity in policy formulation and implementation of permits; 6) irregularities in implementation; 7) bureaucratic monopoly in the permit processing process; 8) control of civil society and business associations as instruments of government control.

In accordance with the Decree of the Minister of Home Affairs Number 24 of 2006 concerning Guidelines for the Implementation of One Stop Integrated Services in order to encourage economic growth through increased investment, by giving greater attention to the role of micro, small and medium enterprises, it is necessary to simplify the implementation of integrated services according to the Presidential Instruction Number 3 of 2006 concerning the Investment Climate Improvement Policy Package. Or in other words, the Ministry of Home Affairs and the Inpres mandate that the administration of licensing services be carried out with the principles of efficiency.

2. Licensing Problems in Bandung

What is presented in the introduction shows the need for an in-depth study of public service reform. This public service itself is not only seen as a service relationship between government organizations and the community, more broadly includes services between government organizations themselves (internal service quality). This really needs to be realized, considering that government organizations consist of various interrelated organizations that involve various interrelated Regional Apparatus Organizations (OPD).

According to the results of a survey conducted by UGM in 2002, in general, stakeholders consider that the quality of public services has improved after the implementation of regional autonomy; however, in terms of efficiency and effectiveness, responsiveness, equality of treatment is still far from what is expected and still has various weaknesses. In this regard, it is well recognized that public services still have various weaknesses, including (Mohamad, 2003):

- Less responsive. This condition occurs at almost all levels of service elements, starting at the level of service officers (front line) to the level of agency responsible. Responses to community complaints, aspirations, and expectations are often slow or even completely ignored.
- Less informative. Various information that should have been conveyed to the public, was slow or did not reach the public.
- Less accessible. Various service delivery units are located far from the reach of the community, making it difficult for those who need services.
- Lack of coordination. Various service units are related to each other as a result, there are often overlapping or conflicting policies between one service agency and other related service agencies.
- Bureaucratic. Permit service services are generally carried out through a process consisting of various levels, so that the completion of services takes too long. In solving service problems, the service staff (front line staff) have not been able to solve very small problems and on the other hand, the community is difficult to meet with the person in charge of the service. As a result, various service issues take a long time to resolve.
- Lack of willingness to listen to public complaints/suggestions. Service personnel lacks the willingness to hear complaints/suggestions from the public. As a result, the service is carried out as is, without any improvement.
- Inefficiency. The various requirements needed in licensing services are often irrelevant to the services provided

Meanwhile, from the institutional side, the main weakness lies in the organizational design that is not specifically designed to provide services to the community, is full of hierarchies that make services convoluted, and uncoordinated. The tendency to carry out two functions at once, the regulatory function and the administration function, is still very strongly carried out by the government, which also causes public services to become inefficient (Mohamad, 2003). Related to that, the various public services provided by the government still cause problems (Suprijadi, 2004). Some of the basic weaknesses include: first, the weaknesses stemming from the difficulty of determining or measuring the output and quality of services provided by the government; Second, government services do not recognize the "bottom line" meaning that no matter how bad their performance is, government services do not recognize the term bankrupt; Third, private organizations have weaknesses in solving externalities problems, while government service organizations face internalities problems. This means that it is difficult for government organizations to prevent the influence of the values and interests of bureaucrats from the public interest of the people they are supposed to serve.

The problem in the field of licensing in the city of Bandung is "The licensing service in the city of Bandung which has been carried out since 2001 is considered to be still not effective, so the performance of licensing services is still low". This condition must be addressed immediately, because it will be detrimental to the Bandung City government in terms of the utilization of local revenue sources.

The challenges related to the formal requirements for starting and running a business are as follows:

1. **Attitudes that hinder the business world:** The attitude that assumes that in general business activities are activities that must be prohibited, and therefore in any case must obtain permission from the government, results in excessive regulation. In Indonesia, private enterprise is still seen as a nuisance, requiring exceptions, rather than a private sector initiative for national development that should be welcomed. Article 33 of the 1945 Constitution, in essence, provides a legal basis for a guided economy—which differs from a market economy by giving the government a mandate to control and supervise businesses instead of facilitating and promoting private sector development.
2. **Duplication per license an general business:** Permits required field industry- Licensed Industrial Business (IUI), License Extension (IP), Industrial Registration (TDI) and Letter of Permission of Trade (License) for small and medium enterprises and great-- a permit duplicity. Permissions are essentially set substantively the same thing, which is to regulate business activities. In laws and regulations there is no clear justification for the distinction between sectors or between small, medium and large enterprises.
3. **Excessive requirements that must be met:** The documents that must be submitted to complete an application to obtain this permit overlap and are too numerous to fulfill. For example, a PT permit application to obtain a SIUP must be accompanied by various permits and other deeds, namely deed of establishment ratified by a notary, legalization of PT deed by the Minister of Justice, Identity Card (KTP) from company management, Taxpayer Identification Number (NPWP), Business Place Permit (SITU), permits related to interference/nuisance Ordinance (HO, or Hinder Ordonantie), company financial statements and photographs. Most of these requirements must also be submitted to obtain permits or certificates from other agencies.
4. **The tedious process of permit renewal:** The obligation to renew the license according to the stages in the life cycle of a business (starting, expanding, changing and closing) is not appropriate. Again, there seems to be no explicit justification for this additional administrative burden.
5. **Licensing has become increasingly complex as a result of decentralization:** Indonesia's regulatory environment has undergone significant changes with the enactment of the Decentralization Law. The most radical element in this decentralization package is the establishment of the Regency/City as the main unit of government authority in terms of legislative and administrative powers. As a result, the number of regional regulations (perda)—regarding taxes, levies and other fees—issued by local governments has increased rapidly since the decentralization process began. For example, during 2001 alone, Kabupaten Gorontalo has introduced 17 new or revised regulations for private enterprises.
6. **Institutional challenges related to the establishment of an Integrated Service Unit (UPT):** Indonesia has taken a number of steps to reform business formalization mechanisms. The Ministerial Decree (Kepmenpan No. 81 Th. 1993/20) regarding the provision of public services has provided a legal basis for the establishment of Integrated Service Units (UPT). The decree outlines three models for the provision of administrative services: (1) One-Stop Service Unit: This unit only provides a 'roof' or space for a number of regulatory agencies, while administration and service delivery is still handled by each regulatory agency; (2) Centralized Service Unit: This unit provides administrative and infrastructure coordination, but the provision of direct services is still handled by regulatory agencies; (3) One Stop Service Unit : The provision of certain services is delegated to the unit. Regulatory agencies only control and evaluate the provision of these services.
7. **Weak institutional organization:** UPTs often lack the administrative power or authority to implement regulations (eg, issue permits). Therefore, like the private businesses that are their clients, these UPTs depend on local government administration at the city or district level. As such, UPTs often face problems similar to those faced by private businesses when they have to deal directly with the government. Effective replication of the UPT approach will depend on ensuring that the UPT has sufficient autonomy and authority to operate effectively.
8. **Pressure to conform to the decentralization process:** The pressure to generate local revenue has led to the emergence of more local regulations and permits so that private businesses have to deal with more procedures in order to start and run their businesses. In fact, the greater pressure to minimize spending that is being experienced by private businesses is actually hampering their capacity to meet all of these.

9. No generally applicable model: A survey conducted by ADB Technical Assistance in collaboration with Depdagri reveals that more than 50 UPT are already operating at the local level. However, the organizational arrangements and the services provided differ greatly from location to location (eg, the number or type of services provided varies from 2 - 50 kinds). So far no generally applicable model has emerged from current practice, although it is clear that 'one-stop service units' in their true sense and possessing the highest degree of autonomy are still rare. A detailed evaluation of the service units in the six locations also does not show any best practice and still shows that the implementation of the UPT approach is highly dependent on local conditions and political will.

3. Efforts to Achieve Licensing Service Efficiency

To run the licensing business is good, it takes a comprehensive analysis in simplifying permit. One form is doing an analysis HGSL (Elimination, Merger, Simplification, and Bestow), also known by the term studies ACSD (Abolish, Combine, Simplified, Decentralized) carried on the licensing and non-licensing in Bandung to see the extent to which the licensing and non-licensing implemented with attention to aspects of conformity with the regulations, the assessment of the overlapping over lapping requirements, overlap licensing and non-licensing, the impact on the climate of investment, the impact on the environment, the orderly administration as well as the influence of the PAD. Analysis is the core of the simplification of the regulatory permits, which shall be composed of alternative solutions as follows:

- Elimination is reducing the types of permits that have been applied so far by removing these permits
- Merger, namely combining several permits and non-licensing which are considered to be the same in substance into one license
- Simplification is the simplification of procedures and requirements that have been applied so far
- Devolution has delegated the process of granting licenses to agencies under it with consideration of the range of services closer and more quickly

4. Conclusion

One of the keys to the successful implementation of licensing services in the city of Bandung is to create an efficient licensing service strategy. It takes a comprehensive analysis in simplifying permits. One form is analysis HGSL (Elimination, Merger, Simplification and devolution), also known by the term studies ACSD (*Abolish, Combine, Simplified, Decentralized*) performed against licenses and non-licenses in Bandung to see the extent to which licenses and non-licenses held by good.

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