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HARMONIZATION OF INVESTMENT-FRIENDLY POLICIES AND MSME PROTECTION IN TEGAL REGENCY

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ABSTRACT

In an effort to improve the welfare of its community, the Government of Tegal Regency formulates policies in a deliberate and well-planned manner. One of its strategic initiatives is to encourage investors to invest in the regency through Law Number 6 of 2023 concerning Job Creation and Law Number 1 of 2022 concerning Central and Regional Fiscal Relations (1). At the same time, local governments are obligated to provide protection for Micro, Small, and Medium Enterprises (MSMEs). Accordingly, the role of the local government is to foster an investment-friendly environment while simultaneously ensuring the protection of MSMEs. This study employs normative juridical, empirical, and philosophical approaches. It adopts a constructivist paradigm, operationalized through a relativist perspective. The Government of Tegal Regency has fostered an investment-friendly climate by accelerating the simplification of risk-based business licensing through the Online Single Submission (OSS) system administered by the Ministry of Investment and Downstream Industry/Indonesia Investment Coordinating Board (BKPM RI). This policy has been reinforced through revisions to spatial planning regulations and the provision of integrated public services that streamline bureaucratic procedures, enabling regional investment realization to reach billions and even trillions of rupiah.
Keywords: Policy and Law, Investment-Friendly Environment, MSME Protection

INTRODUCTION

In an effort to improve public welfare, the Government of Tegal Regency has formulated well-planned and carefully considered policies. One of its key strategies is to attract investors to invest in the region through the implementation of Law Number 6 of 2023 on Job Creation and Law Number 1 of 2022 on Fiscal Relations between the Central Government and Regional Governments (1). Supported by the central government's enactment of the Job Creation Law (2), regional governments are required to harmonize their policies with the national regulatory framework. The ultimate objective is to establish policies that facilitate business activities by providing fiscal incentive programs, including tax and levy reductions, for investors establishing factories or business operations capable of generating employment opportunities for the residents of Tegal Regency (3). However, while promoting investment, the Government of Tegal Regency also recognizes the importance of safeguarding the role of Micro, Small, and Medium Enterprises (MSMEs). Approximately 98,000 MSMEs operate within the regency, making a substantial contribution to the local economy. These enterprises encompass a wide range of sectors, including culinary businesses, metal and iron industries, batik handicrafts, and various other local industries that serve as key pillars of regional economic development. Pursuant to Law Number 20 of 2008 on Micro, Small, and Medium Enterprises and Government Regulation Number 7 of 2021 concerning the Facilitation, Protection, and Empowerment of Cooperatives and MSMEs, regional governments are obligated to protect and empower MSMEs. Accordingly, the role of the Tegal Regency Government is to create an investment-friendly environment while simultaneously ensuring the protection and sustainable development of MSMEs.

Investment performance in Tegal Regency has demonstrated a consistently positive and significant upward trend over recent years. According to official data from the Ministry of Investment/Indonesia Investment Coordinating Board (BKPM), investment realization reached IDR 1.65 trillion in 2021, representing 172% of the annual target. This increased to IDR 1.875 trillion in 2022 (144% of the target), further rose to IDR 2.039 trillion in 2023 (122% of the target), and climbed substantially to IDR 3.659 trillion in 2024, equivalent to 140.76% of the target. In 2025, investment realization achieved an impressive IDR 4.754 trillion, or 135.85% of the annual target of IDR 3.5 trillion.

Entering 2026, with an annual investment target of approximately IDR 4.1 trillion, the Investment and One-Stop Integrated Service Office (DPMPTSP) of Tegal Regency recorded a rapid achievement of IDR 1.502 trillion, representing 36.65% of the annual target during the first quarter alone. This investment performance has had a direct impact on employment generation, with investment activities in the first quarter of 2026 creating approximately 4,800 jobs. Of these, 907 jobs were generated through Domestic Direct Investment (PMDN), while 3,893 jobs resulted from Foreign Direct Investment (PMA).

Regarding the implementation of Government Regulation Number 28 of 2025 concerning the Administration of Risk-Based Business Licensing, Danang acknowledged that the transition period has posed challenges for some business actors. Unlike the previous licensing system, which allowed businesses to commence operations before completing all administrative requirements, the new regulation requires all fundamental prerequisites to be fulfilled at the outset. These include compliance with the Indonesian Standard Industrial Classification (KBLI) and the procedures for obtaining Approval of Spatial Utilization Activity Conformity (PKKPR). This regulatory approach is intended to enhance legal certainty, improve regulatory oversight, and facilitate more effective government supervision of business activities.

RESEARCH METHOD

This study adopts a constructivist paradigm, operationalized through a relativist perspective. Primary data are employed to enrich the discourse on national legal development based on the views of legal scholars. Meanwhile, secondary data are utilized to strengthen the analysis through legislation, books, scientific journals, and other relevant written sources.

RESULTS AND DISCUSSION

Harmonization Between Investment-Friendly Policies and MSME Protection in Tegal Regency to Prevent Conflicts of Legal Norms

The harmonization of investment policies and MSME protection in Tegal Regency requires regulatory synchronization, including the utilization of the Tegal Regency Government system to ensure that the facilitation of business activities for investors does not marginalize the market space of micro-enterprises. Conflicts of legal norms can be prevented through clear business zoning policies and the allocation of regional financing.

Strategic measures to harmonize these two policy objectives include:

Formulation of an Integrated Regional Regulation (Peraturan Daerah/Perda): Ensuring that the Regional Spatial Plan (RTRW) stipulates specific spatial allocations requiring large-scale businesses and modern retail enterprises to establish partnerships with local MSMEs through the Tegal Regency Legal Documentation and Information Network (JDIH) System.

Mandatory Business Partnerships: Incorporating mandatory provisions requiring large-scale investors to involve MSMEs in production supply chains or the provision of raw materials.

Protection of Business Areas/Market Zoning: Implementing distance restrictions and quotas for the establishment of modern retail chain outlets in proximity to traditional markets or MSME centres across various sub-districts.

Incentives for Investors Supporting MSMEs: Providing licensing or regional fiscal incentives to investors that demonstrably facilitate technology transfer and capital assistance to local MSMEs.

The trade sector plays a significant role in promoting economic growth, as trade activities are closely correlated with and support activities in other sectors, including production industries (such as agriculture, manufacturing, and mining), finance, transportation, and telecommunications. Nevertheless, it must be acknowledged that, throughout its development, this sector has not fully addressed the challenges encountered in national and regional development. Therefore, greater attention is required to support and develop the industrial and trade sectors, particularly those that benefit lower- and middle-income communities.

Policy reforms in the industrial and trade sectors began with improvements to the legislative framework. Notably, two laws relating to trade activities were enacted prior to the enactment of the Trade Law itself, namely Law Number 8 of 1999 concerning Consumer Protection and Law Number 5 of 1999 concerning the Prohibition of Monopolistic Practices and Unfair Business Competition. These legal instruments regulate the principal actors in trade, namely consumers and producers. The Consumer Protection Law governs the relationship between producers and consumers in the context of safeguarding consumer rights in commercial transactions, while the Anti-Monopoly Law regulates the relationship among producers in relation to market control.

The issue, however, is that the aspects governed by these two laws represent only a limited portion of the broader trade sector. Matters relating to licensing, registration, customs supervision, distribution, and market zoning lack sufficiently comprehensive regulations capable of fostering legally protected industrial and commercial activities. Existing regulations have not yet provided adequate legal certainty for businesses operating in a competitive environment. These concerns are closely associated with the role of the government in managing the industrial and trade sectors.

Economic development is a process of increasing both total income and per capita income by taking into account improvements in the quantity and productivity of resources, including population growth, accompanied by fundamental changes in the economic structure of a country and a more equitable distribution of income among its population. The process of economic development should also constitute a process of liberation, namely the liberation of the wider community from the constraints imposed by dominant economic forces and the liberation of developing countries from the structural constraints of the global economic order.

Economic development is also defined as a long-term process aimed at increasing a country's or region's Gross Domestic Product (GDP). Such GDP growth must exceed the rate of population growth. In essence, economic development seeks to increase GDP at a rate greater than population growth. Furthermore, improvements in public income should be accompanied by changes in social structures and societal attitudes. Beyond increasing income, the objectives of economic development also include improvements in non-economic aspects, such as strengthening governmental institutions, fostering positive societal attitudes, and narrowing disparities by encouraging higher levels of economic activity.

The quality of development planning is supported by the availability of data and information concerning development resources, including human resources, natural resources, energy resources, and various issues that may serve as the agenda within the locus of the development planning process. Equally important are the sources of state revenue, including those traditionally generated through taxation, foreign investment, and the potential development of new sources of revenue.

The principal challenge in regional development lies in emphasizing development policies based on the distinctive characteristics of the respective region (endogenous development) by utilizing locally available human resources, institutional capacity, and physical resources. This orientation encourages initiatives originating from within the region itself as part of the development process to create new employment opportunities and stimulate economic activities.

To achieve a country's competitive advantage, available resources—including natural resources, environmental assets, geographical potential, and other strategic advantages—must be optimized and combined with advances in science and technology, as well as supported by an adequate legal framework (soft law) that promotes a conducive investment climate while simultaneously maintaining environmental conservation awareness. Such an approach is essential for sustaining industrial development from both global and local perspectives.

Reliance solely on resource-based development is no longer sufficient within the context of global competition. Consequently, knowledge-based industries founded upon the mastery of science and technology and the protection of Intellectual Property Rights must be developed and maintained at an optimal level in order to remain competitive within an increasingly borderless global economy while continuing to incorporate the potential of local community wisdom.

The balanced growth theory requires development to occur simultaneously and harmoniously across various sectors, including industry, agriculture, the external sector, and the domestic sector. Accordingly, balanced development requires equilibrium between the demand side and the supply side of the economy.

The governance of the industrial and trade sectors as leading sectors in Tegal Regency is analysed using Rachbini's theory. This theory employs four indicators to identify leading sectors: the creation of new products with substantial market demand, creative technological innovation, increased investment generated from production outcomes, and the capacity of the sector to develop in a manner that generates multiplier effects on other sectors.

The role of local government is crucial in strengthening the foundation of the local economy through sustainable development policies. Handini et al. (2025) argue that innovative development policies can optimize local economic potential and enhance regional competitiveness. In the context of sustainability, Malihah (2022) emphasizes that governments should formulate policies that are adaptive to climate change, technological developments, and socio-economic challenges. This perspective is reinforced by Zulaika et al. (2024) and Suhardi and Panjaitan (2025), who highlight the importance of policy synergy among local governments in promoting inclusive economic development and long-term growth.

These findings support the view of Handini et al. (2025) that local governments play a critical role in optimizing local economic potential through innovative sustainable development policies. Local governments capable of identifying community needs and providing relevant digital training programmes will be better positioned to strengthen local economic structures in the digital era. This finding is also closely related to the concept of an inclusive economy as explained by Olii et al. (2025), whereby public policy should not only enhance the capacity of business actors but also ensure that all segments of society have equal access to digital opportunities.

This study demonstrates that local government policies promoting the MSME Go-Digital programme have generated significant impacts on improving digital literacy, business competitiveness, and local economic growth. However, the success of the programme depends substantially on strengthening digital infrastructure, improving the competencies of programme facilitators, and sustaining collaboration among government institutions, business actors, and the technology sector. By taking into account the recommendations of previous studies, local governments should expand the scope of training programmes, facilitate equitable internet access, and enhance the quality of digital mentoring to ensure that MSME digitalization is implemented more effectively and sustainably.

CONCLUSION

The harmonization of investment policies and MSME protection in Tegal Regency requires regulatory synchronization, including the utilization of the Tegal Regency Government system to ensure that the facilitation of business activities for investors does not marginalize the market space of micro-enterprises. Conflicts of legal norms can be prevented through clear business zoning policies and the allocation of regional financing.

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