THE EASE OF DOING BUSINESS IN INDONESIA

Adsina Fibra¹
BINA NUSANTARA UNIVERSITY

ABSTRACT

The ease of doing business (EOB) is one of the indicators which attract foreign investors to do business in Indonesia. Indonesia’s ease of doing business has improved from time to time but is still left behind compared to other Asian countries. The current research addresses research questions: what are the business reforms which have been done by the Indonesian Government in the last decade to promote the ease of doing business, what are the areas that need to be improved, and how the ease of doing business gives advantages to this developing nation. This study contributes to reveal the implementation of EOB policy in Indonesia; enrich EOB policy literature; and suggest recommendations for EOB improvement.

Keywords: The ease of doing business, investment in Indonesia, Indonesia’s doing business policy reforms.

INTRODUCTION

Indonesia, with its 261 million inhabitants, has become the economic powerhouse of Southeast Asia. In 2008, Indonesia was ranked 128th out of 178 countries on the ease of doing business (EOB) (World Bank, 2007). Ten years later in 2018, Indonesia steadily climbed to rank 72nd out of 190 countries (World Bank, 2017). Although the EOB has been improved, Indonesia still ranked number 19th compared to other Asian countries. The top ten countries in Asia in terms of EOB led by Singapore and followed by South Korea, Hongkong, Georgia, Taiwan,

¹ Faculty Member, Communication Department, Faculty of Computing and Media, Bina Nusantara University, Jakarta, Indonesia 11480. (afibra@binus.edu)
UAE, Malaysia, Thailand, Japan, and Kazakhstan (Trading Economics, 2018).

Javadekar, a prominent Indian financial economist, explained why the ease of doing business matters. The ease of doing business rank is a stock concept: It represents the reforms that a country has undertaken on various issues like infrastructure, legal systems, etc., over a couple of decades or even more. Hence, this rank ought to be more intricately associated with corresponding macroeconomic stock variables like the level of per capita GDP (Javadekar, 2017).

Moreover, Javadekar emphasized that the ease of doing business reforms are crucial to achieve sound living standards, moderate inflation, and high growth. In the long run, a country cannot become rich in the per capita sense unless it has a high ease of doing business index rank. Only oil-rich countries like Kuwait, Qatar, Libya, Venezuela and Angola managed to get sufficiently rich even with a relatively low ease of doing business rank. On the other hand, if a country has a sufficiently high ease of doing business rank, then it is almost guaranteed to become a rich country (Javadekar, 2017). This hypothesis can be a main consideration for the foundation of Indonesia economy reforms, an oil-rich country and moving toward to achieve a high ease of doing business rank.

The ease of doing business is defined as computed by aggregating the distance to frontier scores of different economies. The distance to frontier score uses the ‘regulatory best practices’ for doing business as the parameter and benchmark economies according to that parameter. For each of the indicators that form a part of the statistic ‘Ease of doing business,’ a distance to frontier score is computed and all the scores are aggregated. The aggregated score becomes the Ease of doing business index. Indicators for which distance to frontier is computed include construction permits, registration, getting credit, tax payment mechanism etc. Countries are ranked as per the index (India Times).

Indonesian Government under the Presidency of Joko Widodo has stated the ambitious EOB target is rank 40th by 2019. Based on Detiknews, the national online news, it quoted the president’s speech in 2017, “There must be total improvement, from licensing, electricity,
property, everything must be better. All type of businesses from small businesses, micro businesses, to big businesses; they will be facilitated in licensing. By then they (the investors) want to open a business, expand their business, as a result there will be recruitment of workers, and opening new jobs” (Sugianto, 2017).

LITERATURE REVIEW

The ease of doing business (EOB) is an index published by the World Bank. It is an aggregate figure that includes different parameters which define the ease of doing business in a country. The ease of business was presented in the World Bank’s annual reports investigating the regulations that enhance business activity and those that constrain it. The report entitled “Doing Business” presents quantitative indicators on business regulations and the protection of property rights that can be compared across 178 economies—from Afghanistan to Zimbabwe—and over time (World Bank, 2017).

A nation's ranking on the index is based on the average of 10 sub-indices (World Bank, 2017):
1. Starting a business which covers aspects of procedures, time, cost and minimum capital to open a new business.
2. Dealing with construction permits which covers aspects of procedures, time and cost to build a warehouse.
3. Getting electricity which covers aspects of procedures, time and cost required for a business to obtain a permanent electricity connection for a newly constructed warehouse.
4. Registering property which covers aspects of procedures, time and cost to register commercial real estate.
5. Getting credit which covers strength of legal rights index, depth of credit information index.
6. Protecting investors which covers the indices on the extent of disclosure, extent of director liability and ease of shareholder suits.
7. Paying taxes which covers the number of taxes paid, hours per year spent preparing tax returns and total tax payable as share of gross profit.
8. Trading across borders which covers the number of documents, cost and time necessary to export and import.
9. Enforcing contracts which covers aspects of procedures, time and cost to enforce a debt contract.
10. Resolving insolvency which covers aspects of the time, cost and recovery rate (%) under bankruptcy proceeding.

The Doing Business project also provides information on following datasets (World Bank, 2017):

- Distance to frontier which shows the distance of each economy to the “frontier,” which represents the highest performance observed on each of the indicators across all economies included since each indicator was included in Doing Business.
- Entrepreneurship which measures entrepreneurial activity. The data is collected directly from 130 company registrars on the number of newly registered firms over the past seven years.
- Good practices which provide insights into how governments have improved the regulatory environment in the past in the areas measured by Doing Business.
- Transparency in business regulation which provide data on the accessibility of regulatory information measures how easy it is to access fee schedules for 4 regulatory processes in the largest business city of an economy.

There are pro and contra regarding the ease of doing business, such as how the rank was measured, and how they do data collections. Since the samples were mostly taken only in a one big city. For example Indonesia has a wide economy gap between Jakarta, the capital city, and other areas especially located off Java Island. What happens in Jakarta does not always reflect conditions in the other areas.

RESEARCH METHODS AND RESEARCH QUESTIONS

This study used a qualitative descriptive research. It is an exploratory study of a nation-wide policy for the last ten years. Exploratory studies tend toward loose structures with the objective of discovering future research tasks (Cooper and Schindler, 2008). Indonesia’s ease of doing business has improved from time to time but still left behind compare
to other Asian countries. The current research addresses research questions: what are the business reforms which have been done by Indonesian Government in one decade to promote the ease of doing business, what are the areas need to be improved, and how the ease of doing business gives advantages to this developing nation.

One of the virtues of qualitative research is that there are many alternative sources of data. The researcher can use interviews, observations, videos, documents, drawings, diaries, memoirs, newspapers biographies, historical documents, and other sources not listed here (Corbin and Strauss, 2008). Data collection in this study were mainly taken from related newspapers articles, government regulations, the World Bank’s Annual Report on the ease of doing business, and other related data from the official websites such as Doing Business and The Investment Coordinating Board of the Republic of Indonesia (BKPM). The Doing Business project provides objective measures of business regulations and their enforcement across 190 countries and selected cities at the subnational and regional level. It was launched in 2002, looks at domestic small and medium-size companies and measures the regulations applying to them through their life cycle. By gathering and analyzing comprehensive quantitative data to compare business regulation environments across economies and over time, Doing Business encourages economies to compete towards more efficient regulation; offers measurable benchmarks for reform; and serves as a resource for academics, journalists, private sector researchers and others interested in the business climate of each economy (Doing Business, 2018).

The Investment Coordinating Board of the Republic of Indonesia (BKPM) serves as the primary interface between business and government, BKPM is mandated to boost domestic and foreign direct investment through creating a conducive investment climate. Restored to ministry level status in 2009, and reporting directly to the President of the Republic of Indonesia, this investment promotion agency’s goal is not only to seek more domestic and foreign investment, but also seek quality investments that improve social inequality and reduce unemployment. The agency works as a proactive advocate for investments as well as a matchmaker for investors (BKPM, 2017). The purpose of study is to describe Indonesia’s business reforms in term of the ease of doing business from 2008-2018. In addition, this
study attempts to describe the advantages of doing this reform and provide suggestions of areas which need to be improved. This study can be used as the historical data of the ease of doing business in Indonesia which can be used as future policy recommendations.

**FINDINGS AND DISCUSSION**

Looking back to ten years ago in 2008, Indonesia had the longest time for business start-up among Asian economies because adding a week of delays with additional approvals at the regional level (World Bank, 2017). In 2018, this situation has improved. In terms of regulations and bureaucracy, Indonesia is now becoming friendlier than ever toward investors. The Investment Coordinating Board of the Republic of Indonesia (BKPM) simplified investment regulations in Indonesia. As of December 11, 2017, BKPM issued The BKPM Regulation Number 13 on the Guidelines and Procedures for Investment Licensing and Facilities (*Peraturan BKPM No.13 Tahun 2017*). The new regulation aims to simplify both investment licensing and investment facilities procedures.

The BKPM Regulation Number 13 replaces the five prior regulations, as following (BKPM, 2017):

- BKPM Regulation 15/2015 on Guidelines and Procedures for Investment Licensing and No licensing.
- BKPM Regulation 16/2015 on Guidelines and Procedures for Investment Facilities.
There are major changes under this BKPM Regulation 13/2017. Firstly, the new license, the investment registration process and one stop services. Investment Registration (*Pendaftaran Investasi*) is introduced as a new type of license, while the old “Principle License (*Izin Prinsip*)” is no longer regulated. To apply for Investment Registration, companies must be under these criteria: require construction phase, entitled to investment facilities, have medium to high potential of environmental pollution, related to national defense, natural resources, infrastructure and energy sectors and other criteria as regulated by a particular policy. Furthermore, companies that own the above criteria are able to start their business activities once they have acquired their Business License.

Companies may register their investment and acquire seven licenses directly if the project area is located inside Special Economic Zone, Free Trade Zone and Port Zone, Industrial Estates, or Strategic Zone for Tourism Project. The seven licenses are notarial deed plus decree of the Minister of Justice and Human Rights, tax registration, company registration, employment plan, working permit, import identification and customs registration. Otherwise they are only eligible to obtain three licenses (notarial deed plus decree of the Minister of Justice and Human Rights, tax registration, and company registration). This policy was intended to encourage more investments in the aforementioned locations.

The second change, companies that require no construction phase or require no duty exemption facility; OR have obtained Business License/Expansion License and will amend the company status may immediately granted Business License (without applying for Investment Registrations). The third change which is very efficient, the regulation was officially implemented at the One Stop Service (Pelayanan Terpadu Satu Pintu / PTSP) BKPM as of January 2, 2018. This will be followed by PTSP in regional / provinces, cities / regencies, free trade zones, free port zones, and special economic zones which are prompted to enforce it not later than July 2, 2018.

In addition, to alleviate investors during the transitional phase, BKPM also arrange three provisions. First of all, companies that already possessed an investment registration issued under the Chairman of BKPM Regulation 12 of 2009 on the Guidelines and Procedures for Capital Investment Licensing must apply for Business License within
six months after the effective date of BKPM Regulation 13/2017. If the companies fail to do so, BKPM or the regional PTSP are entitled to revoke their investment registrations. Second, principle licenses that are issued before the enforcement of Regulation 13/2017 will be valid until the expiration of the project completion date thereunder. However the business license should be processed under Regulation 13/2017. Third, companies that already obtained a Business License but have not fulfilled the large-scale requirements (as stated on Regulation 13/2017 Article 34), must apply for a new investment registration and fulfill the requirement of large-scale investment once they want to start business as specified in Article 10.1 of Regulation 13/2017.

Furthermore, the Chairman of BKPM also announced Regulation Number 14 of 2017 on the Guidelines and Procedures for the Implementation of Investment Monitoring to accommodate changes under Regulation 13. The regulation contains several changes in monitoring, guidance, supervision, and administrative measures activities. One of the most significant changes is the addition of monitoring activities coverage, not only to the investment realization but also to compliance checklist commitment report for companies that already have a temporary Business License. The companies are required to submit information on the progress of checklist compliance every one month by updating the company's folder until the commencement of construction. They provide import realization report, representative office realization report, and other required business activity reports in accordance with the regulations of the relevant technical agencies.

Since 2008, Indonesia have started to introduced a simplified process and new temporary permits that allow construction to begin while the full permit is being approved, cutting the time to obtain a building permit from 49 days to 21 (World Bank, 2007). However, this has not changed much in 2018, where it requires around 42 days to obtain a full permit. This condition made Indonesia ranked number 144 out of 190 countries in starting a business. The Indonesian government has to be more focus on making a shorter and efficient process to obtain a building permit.

In 2016 to attract foreign investors and to provide massive job opportunities, the Agrarian and Spatial Planning Ministry, in
collaboration with the BKPM, previously provided a land checking service and issued land booking letters as parts of the BKPM's three-hour licensing process for investors with investments of more than Rp 100 billion (US$7.46 million) and/or a plan to employ more than 1,000 workers. (Wirayani, 2016) This initiatives should be followed by other ministries.

In 2018, a breakthrough policy was launched by Indonesian government in order to make it easier to obtain a business license. “To accelerate the investment realization of Foreign Direct Investment (FDI) and Domestic Direct Investment (DDI), the Government has issued Presidential Regulation No 20 Year 2018 concerning on The Utilization of Foreign Workers, which is to support the ease of doing business through the simplification of licensing procedures for foreign workers (that must comply with the specific requirement and qualifications) and accelerating licensing services for foreign workers that are permitted to work in Indonesia, therefore the completion of construction and the operational of business activities could be done as soon as possible. In addition, the simplification of business licensing policy based on The Presidential Regulation No. 91 Year of 2017, is also expected to accelerate and to ease business licensing process”, said Thomas Lembong, the Chairman of BKPM in the press conference held by BKPM, Jakarta, April 2018 (BKPM, 2018).

Furthermore, related to the Government Regulation (GR) Number 24 of 2018 on Electronic Single Submission System (Online Single Submission/OSS), the One Stop Service Center (PTSP Pusat) in BKPM remains open as usual, to serve investors who need information, assistance, and consultation. PTSP Pusat serves information on investment policies in a particular sector:

1. Serving business licensing applications which not regulated in GR 24/2018, served through the One Stop Service Center (PTSP Pusat) in BKPM;
2. To help clarify the procedure of business licensing application through the OSS system;
3. To help facilitate the problems faced by investors in realizing their investment in Indonesia;
4. To synchronize and coordinate with related Ministries/Institutions including with provincial, regency/city
governments, administrators of Special Economic Zones (SEZs), and Free Zone Authority.

World Bank’s 2008 Annual Report on Doing Business showed several efforts and initiatives taken by Indonesian Government which is under the former president Soesilo Bambang Yudoyono. Indonesia strengthened investor protections and expanded credit information by removing the minimum size cutoff for loans covered by the public credit registry. Indonesia’s public registry eliminated its minimum loan cutoff of 50 million rupiah ($5,460), increasing coverage of loans by 150% (World Bank, 2007). In 2008, banks preferred land and buildings as collateral because they are impossible to move or hide. Indonesia just like in Zambia and Gambia, 80% of commercial bank loans to businesses are secured by land (World Bank, 2007).

The largest emerging economies—such as Brazil, China, India, Indonesia, Thailand and Vietnam—have all introduced significant bankruptcy reforms in 2008. Eight types of reform were most effective: minimize dependence on the courts, established special courts, shift power to creditors, limit appeal, introduce time limits, use internet to post decisions and publicize auctions, introduce floating charges, and develop the trustee profession (World Bank, 2007).

A decade later, the improved of Indonesia’s EOB from rank 128th in 2008 to rank 72nd in 2018 occurred because of good state budget management. As it was explained by Sri Mulyani Indrawati, the Finance Minister, she said that the rating upgrade was one of the confirmations regarding good state budget management. Especially for the increase in the ease of doing business ranking, President Joko Widodo wants Indonesia’s the ease of doing business rating in 2019 to be in the 40th rank. The President's desire is certainly legitimate. This was due to various policies and program supports prepared by President Joko Widodo towards the achievement of the position of ease of doing business. For example, infrastructure development, deregulation, 16 economic policy packages, anti-poverty and income inequality programs, and improving the quality of human resources (Firdausy, 2017).
Business Reforms in Indonesia
World banks’ Doing Business Project on its official website provided a brief recap of business reforms in Indonesia started from 2008 to 2018. Here are the summary:

☑️ = It means the country has done Business reform and making it easier to do business.
☒ = It means the country has made change and making it more difficult to do business

Doing Business 2008, Indonesia’s EOB ranked 127th
☑️ Starting a Business: Indonesia made starting a business more difficult by increasing the paid-in minimum capital requirement.  
☑️ Dealing with Construction Permits: Indonesia made dealing with construction permits easier by implementing a new building regulation that revoked earlier provisions on the time period to complete building permits—leading to a reduction in the time to obtain a building permit.  
☑️ Getting Credit: Indonesia’s public credit registry eliminated the minimum threshold for loans included in its database, improving access to credit information.  
☒ Protecting Minority Investors: Indonesia strengthened investor protections by expanding the already extensive disclosure requirements for companies listed on the stock exchange.  
☑️ Paying Taxes: Indonesia made paying taxes easier for companies by simplifying filing requirements and encouraging the use of electronic systems.

Doing Business 2009, Indonesia’s EOB rank 129th
☒ Starting a Business: Indonesia made starting a business more difficult by more than doubling the minimum capital requirement.  
☑️ Getting Credit: Indonesia improved access to credit information by guaranteeing borrowers’ right to inspect their own data in the public credit registry.

Doing Business 2010, Indonesia’s EOB ranked 122nd
☑️ Starting a Business: Indonesia made starting a business easier by introducing online service, eliminating certain licenses, increasing efficiency at the registry and reducing several fees.  
☑️ Registering Property: Indonesia made registering property easier by introducing time limits for procedures at the land registry.
Protecting Minority Investors: Indonesia strengthened investor protections by increasing disclosure requirements for related-party transactions.

Paying Taxes: Indonesia made paying taxes less costly for companies by reducing the top corporate income tax rate.

Doing Business 2011, Indonesia’s EOB ranked 126th
Starting a Business: Indonesia eased business start-up by reducing the cost for company name clearance and reservation and the time required to reserve the name and approve the deed of incorporation.

Paying Taxes: Indonesia reduced its corporate income tax rate.

Trading across Borders: Indonesia reduced the time to export by launching a single-window service.

Doing Business 2012, Indonesia’s EOB ranked 129th
Starting a Business: Indonesia made starting a business easier by introducing a simplified application process allowing an applicant to simultaneously obtain both a general trading license and a business registration certificate.

Getting Electricity: Indonesia made getting electricity more difficult by increasing connection fees.

Doing Business 2013, Indonesia’s EOB ranked 128th
Getting Electricity: Indonesia made getting electricity easier by eliminating the requirement for new customers applying for an electricity connection to show a neighbor’s electricity bill as a way to help determine their address.

Doing Business 2014, Indonesia’s EOB ranked 117th
Getting Credit: Indonesia improved its credit information system through a new regulation setting up a legal framework for establishing credit bureaus.

Doing Business 2015, Indonesia’s EOB ranked 114th
Starting a Business: Indonesia made starting a business easier by allowing the Ministry of Law and Human Rights to electronically issue the approval letter for the deed of establishment. This reform applies to both Jakarta and Surabaya.

Getting Electricity: In Indonesia the electricity company in Jakarta made getting electricity easier by eliminating the need for electrical
contractors to obtain multiple certificates guaranteeing the safety of internal installations—though. The utility in Jakarta and Surabaya also increased the cost by introducing a security deposit for new connections.

- **Paying Taxes:** Indonesia made paying taxes less costly for companies by reducing employers’ health insurance contribution rate. This reform applies to both Jakarta and Surabaya.
- **Trading across Borders:** In Indonesia trading across borders became more difficult because of insufficient infrastructure at the Tanjung Priok Port Jakarta. This change applies to both Jakarta and Surabaya.

**Doing Business 2016, Indonesia’s EOB ranked 109th**
- **Starting a Business:** Indonesia made starting a business in Jakarta easier by reducing the time needed to register with the Ministry of Manpower.
- **Getting Credit:** Indonesia improved access to credit by enabling searches of the collateral registry by the debtor’s name. This reform applies to both Jakarta and Surabaya.
- **Paying Taxes:** Indonesia made paying taxes easier and less costly for companies by introducing an online system for paying social security contributions and by reducing both the rate paid by employers and the ceiling for the contributions. This reform applies to both Jakarta and Surabaya.

**Doing Business 2017, Indonesia’s EOB ranked 91st**
- **Starting a Business:** Indonesia made starting a business easier by creating a single form to apply for the company registration certificate and trading license. This reform applies to Jakarta. Indonesia also made starting a business easier by abolishing the minimum capital requirement for small and medium-size enterprises and by encouraging the use of an online system to reserve company names. This reform applies to both Jakarta and Surabaya.
- **Getting Electricity:** Indonesia made the process for getting an electricity connection faster by reducing the time for contractors to perform external work thanks to an increase in the stock of electrical material supplied by the utility. In Surabaya, getting electricity was also made easier after the utility streamlined the process for new connection requests.
Registering Property: Indonesia made it easier to register property by digitizing its cadastral records and setting up a geographic information system.

Getting Credit: Indonesia strengthened access to credit by establishing a modern collateral registry.

Paying Taxes: Indonesia made paying taxes easier by introducing an online system for filing and paying health contributions. Indonesia also made paying taxes more costly by levying a new pension contribution at a rate of 2% paid by employers. These reforms apply to both Jakarta and Surabaya.

Trading across Borders: Indonesia made exporting and importing easier by improving the customs services and document submission functions of the Indonesia National Single Window.

Enforcing Contracts: Indonesia made enforcing contracts easier by introducing a dedicated procedure for small claims that allows for parties’ self-representation. This reform applies to both Jakarta and Surabaya.

Doing Business 2018, Indonesia’s EOB ranked 72nd

Starting a Business: Indonesia made starting a business less costly by reducing the start-up fees for limited liability companies. This reform applies to both Jakarta and Surabaya.

Getting Electricity: Indonesia made getting electricity less costly by reducing connection and internal wiring certification fees. In Jakarta, getting electricity was also made easier after the utility streamlined the processing of new connection applications.

Registering Property: Indonesia made registering property easier by reducing the transfer tax. This reform applies to Jakarta and Surabaya.

Getting Credit: Indonesia improved access to credit information by launching a new credit bureau. This reform applies to both Jakarta and Surabaya.

Protecting Minority Investors: Indonesia strengthened minority investor protections by increasing shareholder rights and role in major corporate decisions and requiring greater corporate transparency. This reform applies to both Jakarta and Surabaya.

Paying Taxes: Indonesia made paying taxes easier by promoting the online filing of taxes and by lowering the rate for capital gains tax. Indonesia also increased the ceiling used in the calculation of health care contribution. These reforms apply to both Jakarta and Surabaya.
Trading across Borders: Indonesia made importing faster by introducing an electronic single billing system. This reform applies to both Jakarta and Surabaya.

Indonesia has targeted rank 40th by 2019. Indonesia need to look on the progress and business reforms done by Kosovo which is the country rank 40th in 2018. World Bank announced that Kosovo is among the top 10 economies worldwide with the most notable improvement in doing business reforms. Kosovo, the second most-reformed country in the fragile states group, implemented three business regulation reforms including adopting a new law that establishes clear priority rules inside bankruptcy for secured creditors and clear grounds for relief from a stay for secured creditors during reorganization procedures. The country undertook reforms in the area of resolving insolvency in 2016/17 and introduced a legal framework for corporate insolvency, making liquidation and reorganization procedures available to debtors and creditors. Moreover, Kosovo also cut or simplified post registration procedures (tax registration, social security registration, licensing) and granted absolute priority to secured creditors or allowed out-of-court enforcement (World Bank, 2018). The EOB is very competitive as Indonesia attempt to achieve its target, other countries plan the same. Therefore, Indonesia must put extra efforts to be able to compete and secure its target of rank number 40th in EOB by 2019.

The Advantages of Having Higher EOB Rank

In 2018, Indonesia placed 72nd in the ranking of business ease according to the World Bank. This figure increased by 19 points compared to the previous ranking of 91st. What are the benefits for Indonesia? Bhima Yudhistira Adhinegara, the economist of the Institute for Development of Economics and Finance (INDEF) explained this increase in rank can spur investment into Indonesia. At least the growth of direct investment will increase above 5.7% this year. Global investor trust will increase because the business climate is getting better. He added "The effect on investment is predicted to be short-term, especially in portfolio investment. Meanwhile, direct investment will be felt in 2018" (Laucereno, 2017).

Another advantage, Indonesia is called the second best investment destination country in 2018. Tempo, a national magazine, quoted from the Business Insider website on March 5, 2018, it was mentioned, and
to identify the dozens of countries conducted a survey involving more than 6 thousand participants from all over the world who were policy makers in business. In determining the ranking of the best investment countries, the survey uses eight assessment items. The eight items are economic stability, entrepreneurship, tax, innovation, labor, technology, dynamism, and corruption. The survey placed Indonesia in the 2nd best country to invest (Manurung, 2018).

There is a correlation between EOB rank and the amount of investments. A higher EOB rank leads to increased amount of investments. In 2008, the total both foreign direct and domestic direct investment in Indonesia was Rp. 127.94 trillion (US$ 14.22 billion) (Detik Finance, 2008). In 2017, Indonesia passed the investment target and reached total Rp. 692.8 trillion (US$ 47.8 billion) (Rakhmah and Setiawan, 2018). In general the total investment has increased five times higher over the last ten years. Having a higher rank of EOB has increased significantly the total investment in Indonesia. The more investment, it opens more job opportunities for the people and reduced the unemployment rates.

Last but not least, Indonesia gained advantage of higher EOB rank in the form of a trust level. The trust level to the Indonesian government has amounted to 80 percent, increasing by 28 percent compared to 2007, when the trust level amounted to 52 percent (BKPM, 2017). This data means that people especially the investors saw the efforts taken by the government to support EOB improvement.

**CONCLUSION**

Indonesia’s EOB has improved from 2008 to 2018. By 2018, seven out of ten indexes of EOB improved. The indexes are starting a business, getting electricity, registering property, getting credit, protecting minority investors, paying taxes, trading across border. Three indexes still need further improvement and should become government focused areas. The indexes are dealing with construction permits, enforcing contracts, resolving insolvency. The EOB rank is highly competitive as Indonesia tries its best to achieve its 2019 target; other countries have
planned to do the same. Therefore, Indonesia most do extra effort to be able to compete and secure its target of rank number 40th in EOB.

A higher EOB rank compare to previous years benefits Indonesia in gaining more investments both local and international. Although in a special case like international and local politics effects, it has slowed the growth of total investment in Indonesia in the second quarter of 2018, but in general in a decade the total number of investment in Indonesia significantly increased. A higher EOB rank also made Indonesia as the second best investment destination country in 2018. It happened because the level of trust is also increased because of EOB has improved.

A country cannot steps forward without undertaking the reforms that lead to better doing business conditions. Although the EOB does not always guaranteed total investment increased significantly. These EOB reforms are still critical to achieve better living standards, moderate inflation, low-inflation uncertainty and high-growth rate. In summary, Indonesia’s continuous effort to improve its ease of doing business ranking is not an unnecessary desire. It is a must in order to foster investments, to open new job opportunities, and to improve quality of life.

REFERENCES


Javadekar, A. *Why the ease of doing business matters, the ranking is based on reforms that are necessary to achieve sound living standards, moderate inflation and high growth*. Data retrieved March 2nd, 2018, from https://www.livemint.com/Opinion/ZFP18NlFA18Up0s8FPQySL/Why-the-ease-of-doing-business-matters.html


