

## Analysis of Business Licensing Service Quality in the Central Java Provincial Government

Arya Parama Widya<sup>1\*</sup>, Ida Hayu Dwimawanti<sup>2</sup>, Augustin Rina Herawati<sup>3</sup>

<sup>1,2,3</sup> Magister Administrasi Publik, Universitas Diponegoro, Semarang, Indonesia

Email: [aryaparama@students.undip.ac.id](mailto:aryaparama@students.undip.ac.id) ; [idahayudwimawanti@lecturer.undip.ac.id](mailto:idahayudwimawanti@lecturer.undip.ac.id)

[augustinrina@lecturer.undip.ac.id](mailto:augustinrina@lecturer.undip.ac.id)

**Abstract.** Business licensing services represent a strategic component of public service because they provide legal certainty for business activities while simultaneously influencing regional investment conditions. This study aims to analyze the quality of business licensing services provided by the Investment and One-Stop Integrated Services Agency (DPMPTSP) of Central Java Province and identify factors affecting service quality. This research employs a descriptive qualitative approach. Data were collected through interviews, observation, documentation, and administrative information relevant to licensing services. Informants were selected purposively from DPMPTSP Central Java, technical regional agencies involved in licensing recommendations, business actors accessing licensing services, and representatives of business associations. Data were analyzed through data reduction, data presentation, and conclusion drawing and verification. The findings indicate a substantial expansion in licensing services, from 5,726 issued licenses in 2020 to 53,550 in 2024. Nevertheless, public complaints persisted and increased from 46 cases in 2020 to 78 cases in 2024. Sectoral data reveal a particularly strong concentration of complaints in the Energy and Mineral Resources sector, which recorded 312 complaints. Moreover, Central Java ranked first nationally in service performance in 2021 and 2022 but subsequently fell outside the three highest-ranked provinces in 2023 and 2024. These findings reveal a service expansion-quality consistency gap, whereby increasing administrative output has not automatically resulted in consistent service quality across sectors. Strengthening human resource capacity, improving digital licensing processes, simplifying cross-sector procedures, and utilizing complaint data as a systematic evaluation mechanism are therefore essential for sustaining service quality and regional competitiveness.

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### INTRODUCTION

Public service constitutes one of the most direct forms of interaction between government institutions and society. Its quality consequently reflects not only the administrative capacity of government organizations but also their ability to respond to citizens' needs and expectations. Law Number 25 of 2009 concerning Public Services defines public service as an activity or series of activities intended to fulfill service needs in accordance with statutory provisions for every citizen and resident regarding goods, services, and administrative services provided by public service organizations. The regulation also places continuous performance evaluation as an important responsibility of public service providers.

Public service, therefore, cannot be understood solely as the completion of administrative procedures. Pasolong (2013) conceptualizes public service as activities undertaken by government for groups of people that generate satisfaction even when the outcomes are not necessarily attached to physical products. Ahmad (2018) similarly understands public service as an effort to assist or provide benefits to society through the provision of required goods or services. Because services are largely intangible and experienced directly by users, their quality is closely connected with citizens' perceptions of the process and outcomes of their interactions with public organizations.

The organization of public services requires effectiveness, efficiency, innovation, and commitment to quality. This orientation places service users in an important position because public-service performance is ultimately experienced through the extent to which services correspond with, or potentially exceed, user expectations. The quality of public service is therefore influenced by more than the formal existence of administrative procedures.

The service management perspective of Albrecht and Bradford emphasizes the relationship between organizational strategy, service systems, human resources, and customers. In substantive terms, good service requires organizational strategy to position service users as a central concern, supported simultaneously by an effective service system and human resources oriented toward users. Organizational culture, institutional systems, and personnel capacity consequently cannot be treated as separate elements when evaluating public-service performance.

Among the various forms of public service, business licensing has a particularly strategic position. Licensing provides legal authorization for individuals or business entities to undertake particular activities according to applicable regulations. Yet its significance extends beyond administrative legality because licensing processes can affect investment decisions and the broader business climate. Speed, procedural certainty, accessibility, and service reliability are therefore relevant both to individual applicants and to regional economic development.

Business licensing in Indonesia has undergone an important transformation following Government Regulation Number 5 of 2021 concerning Risk-Based Business Licensing. The regulation provides the basis for implementing the Online Single Submission Risk-Based Approach (OSS-RBA), which seeks to integrate and simplify business licensing processes according to the risk characteristics of business activities. At the provincial level, DPMPSTP Central Java plays an important role in implementing this licensing framework. DPMPSTP Central Java has received delegated authority for 1,392 licensing services pursuant to Central Java

Governor Regulation Number 13 of 2025 concerning the Implementation of Business Licensing in the Region.

The scale of licensing services expanded considerably during the period examined in this study. DPMPSTSP Central Java issued 5,726 licenses in 2020 and 6,449 in 2021. The number then increased substantially to 28,511 in 2022, followed by 43,569 in 2023 and 53,550 in 2024. Thus, the trend demonstrates a substantial and sustained expansion in administrative licensing output, particularly after 2021.

The relatively limited increase between 2020 and 2021 occurred during a period of transition in licensing arrangements, while the substantial increase beginning in 2022 coincided with broader OSS-RBA implementation and post-pandemic economic recovery. The subsequent growth through 2024 indicates an increasingly large volume of business licensing handled through the provincial service system. Nevertheless, increasing licensing output does not independently demonstrate an equivalent improvement in service quality.

This issue becomes apparent when external service assessments are considered. Central Java occupied the highest national position in investment service performance in 2021 and 2022. However, in 2023 and 2024 the province was no longer included among the three highest-ranked provinces. Consequently, an important discrepancy emerges. Licensing output continued to increase substantially at the same time that Central Java's comparative position in external service assessment declined.

Public complaints provide another indication of this tension. The number of complaints recorded against DPMPSTSP Central Java services was 46 in 2020, 55 in 2021, 62 in 2022, 60 in 2023, and 78 in 2024. Thus, although the volume of licenses expanded substantially, complaints remained present throughout the period and reached their highest absolute level in 2024.

More importantly, complaints were not distributed evenly across licensing sectors. The Energy and Mineral Resources sector recorded 312 complaints and represented the most pronounced concentration. Other sectors recorded substantially smaller numbers, including Public Works and Spatial Planning with 25 complaints, Health with 24 complaints, and Environment and Forestry with 21 complaints. These figures indicate that service problems are strongly concentrated in particular technically complex sectors.

The concentration of complaints in the Energy and Mineral Resources sector may be associated with the complexity of mining and energy licensing, stringent technical requirements, multiple administrative stages, and the environmental and social sensitivity of activities within the

sector. Accordingly, aggregate licensing performance may conceal significant differences in service experience across sectors.

From the perspective of public administration, these developments are relevant to the evolution of approaches to governmental service. Traditional public administration emphasized hierarchical bureaucracy, formal procedures, and administrative efficiency. New Public Management subsequently introduced stronger attention to performance, efficiency, results, and service-user satisfaction. More recent public-service perspectives have further emphasized interaction and collaboration among government institutions, citizens, private organizations, and other stakeholders.

Service quality is also commonly interpreted through dimensions of tangibles, reliability, responsiveness, assurance, and empathy associated with the SERVQUAL framework. In the context of business licensing, these dimensions concern the availability and functionality of service infrastructure and technology, consistency of procedures, speed of response, competence and credibility of service personnel, and the capacity of government institutions to understand applicants' needs.

Previous studies of business licensing have discussed OSS implementation, risk-based licensing, administrative effectiveness, and the experiences of business actors. However, the empirical conditions observed in Central Java raise a more specific problem. The rapid increase in licensing output occurred alongside persistent complaints, substantial sectoral disparities, and a decline in comparative national service performance after earlier achievements.

Accordingly, the research gap addressed in this study concerns the relationship between the expansion of licensing capacity and the consistency of service quality. The study does not assume that increasing administrative output necessarily represents improving service quality. Instead, it examines whether the expansion of licensing services has been accompanied by sufficiently consistent quality across different service sectors.

The novelty of the study lies in conceptualizing this condition as a service expansion-quality consistency gap. This perspective distinguishes the government's capacity to process an increasing number of licenses from its capacity to maintain relatively equitable and reliable service quality across sectors with different regulatory and technical complexities. Based on this problem, this study aims to analyze the quality of business licensing services in the Central Java Provincial Government and identify factors influencing that quality.

## METHOD

This study employed a descriptive qualitative approach to examine the quality of business licensing services implemented by the Central Java Provincial Government. The qualitative approach was selected because the research sought to understand service quality through institutional processes, stakeholder experiences, and administrative conditions rather than relying exclusively on quantitative service indicators. The research focused on business licensing services implemented through DPMPSTSP Central Java and the OSS-RBA framework. Informants were selected purposively based on their knowledge of and involvement in the licensing process. The informants consisted of representatives of DPMPSTSP Central Java, technical regional government organizations responsible for issuing technical licensing recommendations, business actors who accessed licensing services, and representatives of the Central Java business association. Data collection was conducted through interviews, documentation, and field observation. Administrative information concerning licensing outputs, public complaints, sectoral complaint distribution, and external service-performance assessments was also incorporated to provide contextual evidence concerning changes in licensing services during the study period. Data analysis followed the interactive model of Miles and Huberman, encompassing data reduction, data presentation, and conclusion drawing and verification. Data reduction was conducted by selecting information relevant to licensing quality and the factors affecting it. The selected information was subsequently organized according to patterns concerning service expansion, complaints, sectoral disparities, organizational capacity, and service procedures. Conclusions were then developed through interpretation and comparison between empirical patterns and public-service concepts. Administrative numerical information was analyzed descriptively and incorporated into the narrative rather than presented as separate figures or tables. This approach was adopted to emphasize the meaning of changes in service performance and their relationship with the qualitative interpretation of licensing quality.

## RESULT AND DISCUSSION

### Expansion of Business Licensing Services

The results demonstrate a substantial expansion of business licensing services in Central Java during 2020 to 2024. DPMPSTSP Central Java issued 5,726 licenses in 2020. The figure increased moderately to 6,449 in 2021 before rising sharply to 28,511 in 2022. Licensing output continued to increase to 43,569 in 2023 and eventually reached 53,550 in 2024. In other words, the number of licenses issued in 2024 was more than nine times the corresponding figure in 2020.

The pattern indicates a significant increase in the administrative capacity to process licensing applications. The sharp expansion beginning in 2022 occurred following the introduction and wider utilization of risk-based licensing through OSS-RBA. The period also coincided with economic recovery after the COVID-19 pandemic. These conditions provide an institutional context for understanding why licensing demand and administrative processing increased substantially.

Nevertheless, increased licensing output needs to be distinguished analytically from service quality. The ability to complete more administrative transactions demonstrates greater service capacity, but service quality also involves whether those transactions are delivered reliably, responsively, transparently, and consistently. This distinction is particularly relevant when licensing services are understood through the service-user orientation of contemporary public administration. Administrative performance should not be evaluated exclusively according to organizational output because the experience of users and the consistency of service processes constitute equally important dimensions of public-sector performance.

### **Public Complaints and Service Quality**

Public complaints reveal a more complex pattern than licensing output alone. DPMPSTP Central Java recorded 46 complaints in 2020, followed by 55 in 2021 and 62 in 2022. Complaints decreased slightly to 60 in 2023 before increasing to 78 in 2024. The simultaneous increase in licensing output and persistence of complaints requires careful interpretation. In absolute terms, complaints increased between 2020 and 2024. However, licensing output expanded at a much greater rate. Consequently, the findings do not support a simple conclusion that overall service quality deteriorated merely because the absolute number of complaints increased. Instead, the pattern suggests that increased administrative capacity and persistent service problems occurred simultaneously. Digitalization may have enabled the organization to process substantially more applications, while procedural or institutional difficulties continued to affect particular users and sectors.

From the SERVQUAL perspective, complaints can indicate difficulties associated with reliability, responsiveness, assurance, or other dimensions of service quality. Reliability becomes problematic when procedures or processing times are inconsistent. Responsiveness becomes relevant when applicants experience difficulty obtaining timely responses to administrative problems. Assurance concerns the ability of service personnel and institutions to provide clarity, competence, and certainty throughout the licensing process. Complaint information should consequently be treated not merely as evidence of dissatisfaction but as feedback capable of

identifying recurrent administrative problems. Systematic analysis of complaint patterns can help public organizations identify which procedures, sectors, or stages of licensing require targeted improvement.

### **Sectoral Disparity in Licensing Services**

A particularly important finding concerns the unequal distribution of complaints across sectors. The Energy and Mineral Resources sector recorded 312 complaints, considerably exceeding all other sectors represented in the research data. Public Works and Spatial Planning recorded 25 complaints, Health recorded 24, and Environment and Forestry recorded 21, while complaints within several other sectors were substantially lower. The concentration of complaints within the Energy and Mineral Resources sector indicates that licensing service quality cannot be evaluated only at the aggregate organizational level. An institution may record strong overall licensing output while particular service sectors continue to experience significant administrative problems. Energy and mineral-resource licensing possesses characteristics that may increase administrative complexity. Licensing processes may involve stringent technical requirements, multiple stages of verification, and coordination between DPMPSTSP and technical institutions. Mining and energy activities can also involve environmental and social considerations that require additional administrative scrutiny.

Consequently, complaints within this sector should not automatically be interpreted as evidence of individual service personnel's poor performance. Rather, the concentration may reflect a broader institutional issue involving regulatory complexity, technical requirements, coordination, and the relationship between applicant expectations and administrative procedures. This finding demonstrates that service-quality improvement requires a differentiated approach. Uniform institutional reforms may not adequately address problems concentrated within sectors possessing substantially different technical and regulatory characteristics. Targeted evaluation is therefore needed to identify bottlenecks within high-complaint sectors.

### **External Performance and Consistency of Service Quality**

External assessment provides another important dimension of licensing performance. Central Java achieved first position nationally in public service performance in 2021 and 2022. However, in 2023 and 2024 the province was no longer among the three highest-ranked provinces. This development is significant because the decline occurred while licensing output continued to increase substantially. Thus, internal productivity and external comparative

performance moved in different directions. Increasing numbers of licenses were processed, but Central Java did not maintain its earlier comparative position.

The pattern demonstrates the limitations of using administrative output as the primary indicator of service quality. From the New Public Management perspective, organizational performance requires attention not only to productivity but also to results, efficiency, user satisfaction, and service consistency. Consequently, licensing organizations require multidimensional performance indicators that capture both administrative productivity and service experience. The decline in comparative position should also be interpreted relatively. The available evidence indicates that other provinces surpassed Central Java during 2023 and 2024, but sufficiently detailed comparative indicators are not available to establish precisely which dimensions accounted for the ranking change. Accordingly, the evidence supports the conclusion that Central Java's comparative position weakened, but it does not independently demonstrate that every dimension of its service quality deteriorated.

### **Factors Affecting Licensing Service Quality**

The findings indicate that human resource capacity represents one of the factors affecting licensing quality. Risk-based licensing requires personnel capable of understanding administrative procedures while also responding to increasingly differentiated technical requirements. As licensing volume increases, organizational capacity must develop correspondingly to prevent administrative expansion from creating new service bottlenecks.

Human resource requirements are particularly significant within technically complex sectors. Officers need sufficient competence to provide clear information, respond to applicant difficulties, and coordinate effectively with technical agencies. Service quality consequently depends not merely on the number of personnel but also on their technical and service-oriented capacities.

The service system represents another important factor. OSS-RBA has created a digital infrastructure capable of supporting a substantially greater volume of licensing activity. Nevertheless, digitalization does not necessarily eliminate procedural complexity. Applicants may still encounter difficulty when technical requirements are unclear, institutional responsibilities overlap, or stages of verification remain complicated.

Accordingly, digital transformation should be evaluated not merely according to whether services have moved online but according to whether digitalization has made the licensing process more understandable, accessible, predictable, and responsive to users. Cross-sector institutional coordination also influences licensing quality. DPMPSTP does not operate

independently in every licensing process because certain licenses require technical recommendations or verification from relevant regional agencies. Service delays or uncertainty occurring within these interactions can ultimately be experienced by applicants as problems with the integrated licensing service.

This condition reinforces the importance of understanding licensing as an institutional network rather than solely as a front-office function. Improving DPMPTSP services therefore requires attention to the quality of coordination with technical agencies, particularly in sectors where complaint levels are substantially higher. Finally, complaint management represents an important organizational learning mechanism. Complaint data provide direct information regarding the difficulties encountered by service users. When complaints are classified according to sector, procedure, cause, and resolution, they can become an evidence base for service improvement rather than merely an administrative record.

### **Service Expansion-Quality Consistency Gap**

Taken together, the findings reveal an important tension in the development of business licensing services in Central Java. On the one hand, licensing output increased from 5,726 cases in 2020 to 53,550 in 2024, demonstrating substantial growth in administrative processing capacity. On the other hand, public complaints remained present, sectoral disparities were pronounced, and Central Java did not maintain its earlier position at the top of national service assessment. This study conceptualizes this condition as a service expansion-quality consistency gap. The concept refers to a situation in which administrative service capacity expands more rapidly than the organization's ability to ensure consistently high service quality across different sectors.

This interpretation contributes to the understanding of digital public-service reform by demonstrating that technological and administrative expansion represents only one dimension of transformation. Digital systems can increase processing capacity, but sustained service quality additionally requires competent personnel, coherent procedures, effective inter-agency coordination, and institutional mechanisms capable of learning from user complaints. Practically, the findings suggest that improvement should become increasingly targeted rather than uniform. High-complaint sectors require more intensive process evaluation, while complaint information should be systematically integrated into organizational monitoring. Human resource development should similarly be connected to sector-specific administrative complexity rather than implemented exclusively through general service training.

## CONCLUSION

Business licensing services provided by DPMPTSP Central Java experienced substantial expansion during 2020 to 2024. The number of licenses issued increased from 5,726 in 2020 to 53,550 in 2024, demonstrating a considerable increase in administrative processing capacity. The development coincided with the implementation and wider utilization of digital risk-based licensing through OSS-RBA. Nevertheless, increased administrative output has not eliminated challenges concerning service quality. Complaints remained present throughout the period, increasing from 46 cases in 2020 to 78 in 2024. More importantly, complaints were distributed unevenly across sectors, with the Energy and Mineral Resources sector recording 312 complaints and representing the strongest concentration of service problems. External performance assessment further demonstrates the need to distinguish between productivity and consistent quality. Central Java ranked first nationally in 2021 and 2022 but subsequently fell outside the top three provinces in 2023 and 2024, even as licensing output continued to increase. The central finding of this study is therefore the existence of a service expansion-quality consistency gap. The expansion of licensing capacity has not automatically ensured equivalent and consistent service quality across sectors. Human resource capacity, digital service usability, regulatory and procedural complexity, cross-sector coordination, and complaint management emerge as important dimensions requiring continued attention.

DPMPTSP Central Java should consequently strengthen technical and service competencies, particularly within sectors characterized by high complaint concentrations. Digital licensing processes need to be continuously improved in terms of accessibility, clarity, and procedural certainty. Coordination with technical regional agencies should also be strengthened to reduce administrative fragmentation and uncertainty. Complaint data should additionally be institutionalized as a mechanism for continuous service evaluation. Rather than being treated solely as records of dissatisfaction, complaints can identify recurrent bottlenecks and provide evidence for targeted organizational improvement. Such an approach would enable licensing reform to progress from increasing administrative capacity toward ensuring more consistent service quality. The study remains limited by its qualitative design and by the administrative information available within the research scope. Future studies may examine service-user experiences across individual licensing sectors and compare processing duration, complaint resolution, procedural certainty, and perceived service quality. Such research would provide a stronger empirical basis for determining whether digital licensing transformation produces not

only greater administrative output but also more equitable, reliable, and sustainable public service.

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