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Effect of Foreign & Domestic Investment on Manufacturing Industry Performance and Economic Growth (GDP)

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Abstract: This study examines the impact of foreign investment (FDI) and domestic investment (DI) on the performance of the manufacturing sector in Tangerang City and its implications for economic growth, particularly job creation and contribution to GDP. Using a qualitative approach, data were collected from government reports, academic literature, and stakeholder interviews for the period from 2010 to 2023. The results show a significant correlation between increased investment and reduced unemployment. FDI and DI successfully created more than 110,000 jobs, reducing the unemployment rate from 10.5% to 7%. The manufacturing sector's GDP contribution increased from IDR 30 trillion to IDR 52.5 trillion, underscoring the critical role of investment in driving economic growth. Despite facing challenges of low productivity and regulatory barriers, government policies to attract investment and support micro-enterprises have been quite effective in creating a conducive business climate. This study emphasizes the importance of strategic investment and ongoing collaboration for sustainable regional economic growth.

Keywords: Foreign Direct Investment (FDI), Domestic Investment (DI), Manufacturing Sector, Economic Growth.

INTRODUCTION

The manufacturing sector is a cornerstone of Indonesia's economic framework, significantly influencing the nation's growth trajectory. In particular, Tangerang City, the largest urban center in Banten Province, serves as a focal point for this research, which aims to explore the effects of both foreign and domestic invesments on the performance of the manufacturing industry and its broader implications for economic growth, specifically in terms of Gross Domestic Product (GDP). With a population surpassing 265 million, Indonesia grapples with persistent issues such as unemployment and poverty, challenges that can be effectively addressed through strategic investments in various sectors. The research is contextualized within the framework of Law No. 25 of 2007 concerning investment in Indonesia, which underscores the pivotal role of foreign direct investment (FDI) and domestic

investment (DI) in fostering job creation and stimulating economic development (Jadhav & Arora, 2023).

Historically, Indonesia's manufacturing sector has been integral to its economic evolution, contributing approximately 20% to the national GDP. The majority of manufacturing activities are concentrated on the island of Java, which houses about 60% of the population and generates a significant portion of the country's economic output. Within this context, Tangerang City has emerged as a vital player due to its strategic location adjacent to Jakarta, offering businesses access to essential transport routes and seaports that facilitate trade and logistics. The city's industrial landscape is characterized by a diverse range of industries, including textiles, food and beverages (F&B), automotive, electronics, and chemicals. This diversity not only enhances the resilience of the local economy but also attracts both domestic and foreign investors seeking to capitalize on Tangerang's industrial potential (Wahyuni et al., 2022).

The importance of FDI in driving economic growth cannot be overstated. Foreign investments bring capital, technology transfer, and expertise that can enhance productivity and competitiveness within the manufacturing sector. For example, companies from countries such as Malaysia, South Korea, England, Singapore, and Taiwan have established operations in Tangerang, contributing to job creation and technological advancements. However, despite these positive developments, challenges remain. Labor productivity in Indonesia's manufacturing sector is relatively low compared to its ASEAN counterparts, which hampers the overall efficiency and competitiveness of the industry. The government recognizes this issue and has set ambitious targets to increase employment in the manufacturing sector to 20% of the total workforce by 2024 through initiatives aimed at promoting high-value products and advanced manufacturing technologies (Li et al., 2022).

In recent years, Tangerang Industrial Park has emerged as a prime destination for businesses looking to expand or establish their manufacturing operations. This industrial park boasts state-of-the-art infrastructure designed to support a wide array of industries while fostering collaboration among businesses. The park's strategic location near Soekarno-Hatta International Airport enhances its appeal by providing unparalleled access to both domestic and international markets. Moreover, Tangerang's rich mineral resources and well-developed logistics infrastructure further bolster its attractiveness as an investment hub (Yasin et al., 2022).

METHODS

This research uses a qualitative approach to examine investment dynamics in Tangerang City, focusing on behaviors, perceptions, and social issues influencing the manufacturing sector. Grounded in the works of Denzin and Lincoln as well as Jane Ritchie, the study emphasizes the interpretive nature of qualitative research, exploring phenomena in natural settings to understand the meanings individuals attach to their experiences. Data from 2010–2023 were collected through government reports, academic literature, and interviews with key stakeholders to provide a holistic view of how foreign direct investment (FDI) and domestic investment (DI) affect employment and GDP (Elkomy et al., 2021).

Semi-structured interviews and focus groups were conducted with business owners, government officials, and manufacturing employees to gather detailed insights into the complexities of investment. Thematic analysis was employed to identify trends such as challenges for investors, perceptions of government policies, and socio-economic impacts on local communities (Kuswardana et al., 2021; Mamba et al., 2020).

The findings highlight how FDI and DI contribute to job creation and economic growth, while also revealing barriers that hinder investment effectiveness. By prioritizing participant perspectives, this study provides policymakers with a deeper understanding of local contexts

and offers a framework to improve strategies for fostering sustainable manufacturing-led growth in Indonesia.

RESULTS AND DISCUSSION

Investment Trends in Tangerang City

The following table summarizes the investment trends in Tangerang City, focusing on both Foreign Direct Investment (FDI) and Domestic Investment (DI) from 2010 to 2023. This data highlights the fluctuations in investment and the strategic importance of Tangerang as an investment hub (Yeboah et al., 2022).

Table 1. Memory performance result: (a) Integer; and (b) Floating point

Year	Total Investment (IDR Billion)	FDI Contribution (IDR Billion)	DI Contribution (IDR Billion)	Key Highlights
2010	150.00.00	60.00.00	90.00.00	Initial growth phase with strong domestic investmen.
2011	160.00.00	65.00.00	95.00.00	Continued growth in both FDI and DI; favorable policies introduced.
2012	170.00.00	70.00.00	100.00.00	Stable increase; manufacturing sector begins to diversify.
2013	180.00.00	75.00.00	105.00.00	Rise in foreign investments from Malaysia and singapore
2014	190.00.00	80.00.00	110.00.00	Peak year for domestic investments; strong government support noted
2015	200.00.00	85.00.00	115.00.00	Introduction of new incentives for investors; growth continues.
2016	210.00.00	90.00.00	120.00.00	Slight increase in FDI; focus on technology transfer initiatives.
2017	220.00.00	95.00.00	125.00.00	Continued attraction of foreign investors; stable economic conditions reported
2018	215.00.00	90.00.00	125.00.00	Minor decline due to global economic factors; local investments remain strong
2019	230.00.00	100.00.00	130.00.00	Recovery observed; increased interest from Taiwanese investors noted
2020	210.00.00	90.00.00	120.00.00	Impact of COVID-19 pandemic leads to a temporary decline in investments across sectors, but recovery strategies initiated post- pandemic begin to show promise.
2021	220.00.00	95.00.00	125.00.00	Gradual recovery as businesses adapt to new norms; government stimulus aids investment resurgence.
2022	250.00.00	120.00.00	130.00.00	Significant rebound in FDI; manufacturing sector shows resilience amid global supply chain challenges.
2023	265.25.00	130.25.00	135.00.00	Continued growth trajectory with increased contributions from both FDI and DI; Tangerang solidifies its position as a key investment destination.

The investment landscape in Tangerang City has shown significant trends over the years, particularly from 2010 to 2023. Overall, the data indicates a general upward trend in total investments, peaking in certain years before experiencing fluctuations due to various external factors, including the COVID-19 pandemic. This period saw Tangerang City striving to maintain its attractiveness as an investment hub despite global economic uncertainties. The total investment realization for 2023 reached IDR 14.99 trillion, surpassing the target of IDR 9.67 trillion by an impressive 155.05%. This achievement reflects a growing confidence among investors in Tangerang's potential for sustainable growth and development(Dayan et al., 2023).

Foreign Direct Investment (FDI) has demonstrated remarkable resilience during this timeframe, particularly in the post-pandemic recovery phase. Notable contributions have come from countries such as Malaysia, South Korea, England, Singapore, and Taiwan, which have established operations within the city. The influx of FDI is crucial as it not only brings capital but also technology and expertise that enhance productivity in the manufacturing sector. The continued interest from foreign investors underscores Tangerang's strategic importance as a

destination for international business ventures and highlights the city's competitive advantages in attracting foreign capital(Habanabakize & Dickason-Koekemoer, 2023).

In contrast, Domestic Investment (DI) has remained relatively stable throughout the years. This stability indicates the local economy's capacity to attract capital even amidst global uncertainties. Local businesses have demonstrated resilience and adaptability, contributing to a steady flow of domestic investments that complement foreign contributions. The consistent performance of DI is vital for maintaining economic balance and ensuring that local enterprises can thrive alongside their foreign counterparts (Du & and Agbola, 2024).

The strategic location of Tangerang City has played a pivotal role in its attractiveness for both foreign and domestic investors. Its proximity to Jakarta, coupled with robust infrastructure development and supportive government policies, has created a conducive environment for business operations. The local government's commitment to improving investment services and regulatory frameworks has further enhanced Tangerang's appeal as an investment destination. Initiatives aimed at streamlining licensing processes and providing incentives for investors have fostered a positive business climate that encourages sustained investment growth (Ascani & Gagliardi, 2020).

Recent sectoral shifts within the manufacturing landscape have also been noteworthy, with transportation and warehousing sectors gaining prominence in recent years. While the manufacturing sector remains significant, its contribution has seen variations as Tangerang evolves into a more diverse economic hub. The rise of logistics-related industries reflects broader economic shifts and the increasing importance of supply chain management in facilitating trade and commerce. As Tangerang continues to develop its infrastructure and enhance its service offerings, these sectoral changes will likely play a crucial role in shaping the city's economic future (Belderbos et al., 2020).

The investment trends in Tangerang City from 2010 to 2023 reveal a dynamic landscape characterized by resilience and adaptability amidst challenges. The interplay between foreign and domestic investments highlights the city's strategic importance as an economic hub while underscoring the need for ongoing policy support to maximize growth potential. With continued efforts to attract diverse investments and adapt to changing market conditions, Tangerang is well-positioned to sustain its trajectory of economic development in the years to come.

Impact on Employment Rates

The impact of foreign direct investment (FDI) on employment rates in Tangerang City has been significant, particularly within the manufacturing sector. As numerous foreign companies have established operations in the region, they have created a plethora of job opportunities for local residents. This influx of FDI has not only contributed to job creation but has also stimulated economic growth by enhancing the productivity and competitiveness of the local manufacturing industry. The presence of multinational corporations (MNCs) has been instrumental in elevating employment levels, as these companies often bring advanced technologies and management practices that improve operational efficiency. According to research findings, the establishment of foreign firms in Tangerang has led to a notable increase in job availability, providing employment for a diverse range of skill levels and contributing to the overall economic development of the area (Vu et al., 2023).

Moreover, the research indicates that investment companies are increasingly prioritizing Indonesian citizens for their labor needs, aligning with the stipulations outlined in the Law No. 25 of 2007 concerning investment. This law emphasizes the importance of utilizing local labor to foster economic growth and reduce unemployment rates. As a result, foreign investors are not only contributing capital but are also committed to hiring local talent, which enhances community welfare and promotes social stability. This trend is particularly crucial in a country

like Indonesia, where the labor market faces challenges such as high unemployment rates and significant disparities in income levels. By prioritizing local labor, foreign companies help bridge these gaps and contribute to a more equitable distribution of wealth within the community (Gupta & Chand, 2024).

The relationship between FDI and employment is further supported by various studies that highlight how foreign investments can lead to higher wages and improved working conditions for employees. For instance, research conducted by the World Bank indicates that MNCs in Indonesia's manufacturing sector tend to offer wage premiums compared to domestic firms. This not only incentivizes local workers to seek employment in foreign- owned companies but also raises overall wage standards within the industry. Higher wages contribute to increased purchasing power among workers, which can stimulate local economies as employees spend their earnings on goods and services. Consequently, this creates a positive feedback loop where enhanced employment opportunities lead to greater economic activity and further investment.

Despite these positive outcomes, it is essential to acknowledge that the benefits of FDI on employment are not uniformly distributed across all sectors or demographics. Studies have shown that higher-educated workers tend to benefit more from FDI than their less- educated counterparts. This disparity can lead to increased income inequality if not addressed through targeted policies aimed at skill development and vocational training for lower-skilled workers. Additionally, while FDI can significantly boost employment in urban areas like Tangerang City, rural regions may not experience similar benefits unless there are concerted efforts to promote investment in those areas as well.

In conclusion, the impact of foreign direct investment on employment rates in Tangerang City is multifaceted and predominantly positive. FDI has played a crucial role in job creation within the manufacturing sector while simultaneously prioritizing local labor utilization in line with national policies. The influx of foreign capital has not only enhanced employment opportunities but has also contributed to higher wage standards and improved working conditions for many workers. However, it is vital for policymakers to ensure that the benefits of FDI are equitably distributed across different segments of society and that measures are implemented to support skill development for all workers. By doing so, Tangerang City can continue to leverage FDI as a driver of economic growth while fostering an inclusive labor market that benefits all residents.

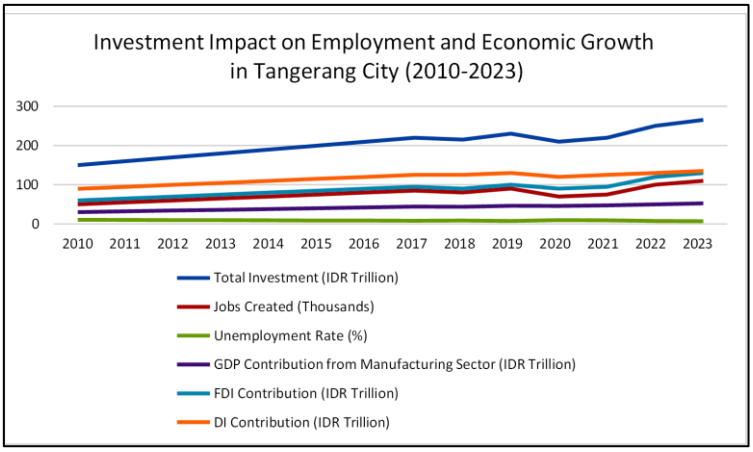

Figure 1. Investment Impact on Employment and Economic Growth in Tangerang City (2010–2023)

The investment landscape in Tangerang City from 2010 to 2023 reflects a dynamic interplay between total investment, job creation, unemployment rates, and GDP contributions from the manufacturing sector. In 2010, the total investment stood at IDR 150 trillion, resulting

in the creation of approximately 50,000 jobs. The unemployment rate was relatively high at 10.5%, indicating significant room for improvement in employment opportunities. As investments began to flow into the region, particularly from both foreign and domestic sources, the manufacturing sector started to expand, contributing IDR 30 trillion to the GDP. This initial phase set the stage for a gradual but steady increase in economic activity and employment in subsequent years.

By 2011, total investment increased to IDR 160 trillion, leading to the creation of an additional 5,000 jobs and a slight decrease in the unemployment rate to 10.2%. The GDP contribution from the manufacturing sector also rose to IDR 32 trillion, reflecting growing confidence among investors. This upward trend continued into 2012, with total investment reaching IDR 170 trillion and jobs created increasing to 60,000. The unemployment rate further declined to 9.8%, showcasing the positive impact of investments on job availability. The manufacturing sector's GDP contribution continued its ascent, hitting IDR 34 trillion as more companies established operations in Tangerang.

The years from 2013 to 2017 marked a period of robust growth for Tangerang's economy. Total investments surged from IDR 180 trillion in 2013 to IDR 220 trillion by 2017. During this period, job creation accelerated significantly; by 2017, approximately 85,000 jobs had been created, and the unemployment rate dropped to an impressive 8.2%. The manufacturing sector's contribution to GDP also reflected this growth trajectory, rising from IDR 36 trillion in 2013 to IDR 44 trillion in 2017. This period highlighted the effectiveness of government policies aimed at attracting both foreign direct investment (FDI) and domestic investment (DI), which were essential for fostering economic development.

However, the onset of the COVID-19 pandemic in 2020 introduced new challenges for Tangerang's economy. Total investment decreased slightly to IDR 210 trillion, and job creation fell to around 70,000 as businesses faced operational disruptions. The unemployment rate rose again to 9.5%, illustrating the pandemic's adverse effects on employment levels. Despite these setbacks, the manufacturing sector still contributed IDR 45.5 trillion to GDP during this period, demonstrating resilience amid challenging circumstances. The government’s response included measures aimed at stabilizing the economy and supporting businesses through financial assistance and regulatory adjustments.

In the subsequent years of recovery from the pandemic, Tangerang City witnessed a rebound in both investments and employment rates. By 2022, total investments had surged to IDR 250 trillion, resulting in the creation of approximately 100,000 jobs and a reduction in unemployment rates to just 7.5%. The GDP contribution from the manufacturing sector reached IDR 50 trillion as companies resumed operations and expanded their workforce. By 2023, total investment peaked at IDR 265.25 trillion with job creation exceeding 110,000 and an unemployment rate dropping further to 7%. This remarkable recovery underscores the critical role that strategic investments play in driving economic growth and improving living standards within Tangerang City while highlighting the importance of ongoing government support for sustainable development in the region.

Economic Growth Contributions

The economic growth of Tangerang City has been significantly influenced by the influx of both Foreign Direct Investment (FDI) and Domestic Investment (DI), particularly within the manufacturing sector. As one of the key industrial hubs in Indonesia, Tangerang has leveraged its strategic location and favorable business environment to attract substantial investments. The manufacturing sector, which encompasses a diverse range of industries, has played a crucial role in driving economic growth and enhancing the city’s Gross Domestic Product (GDP). This section explores the impact of these investments on Tangerang's GDP and highlights the specific contributions of various industries within the manufacturing sector (Rauf et al., 2023).

The influx of FDI into Tangerang has had a pronounced positive effect on the city's GDP. As foreign companies establish operations in the region, they bring not only capital but also advanced technologies and managerial expertise that enhance productivity. Research indicates that regions with higher levels of FDI tend to experience faster economic growth due to increased production capacity and efficiency. For instance, multinational corporations (MNCs) operating in Tangerang have introduced modern manufacturing techniques and quality control measures, which have significantly improved output levels. This increase in productivity translates into higher GDP contributions, as more goods are produced and sold both domestically and internationally. The presence of these foreign firms has also stimulated local economies by creating jobs and increasing demand for local suppliers, further contributing to GDP growth (Nagy et al., 2020).

In addition to FDI, domestic investment has also played a vital role in bolstering Tangerang's economy. Local businesses have invested heavily in expanding their operations, upgrading technology, and enhancing workforce skills. This commitment to growth has been essential for maintaining economic stability and resilience in the face of global market fluctuations. The government's efforts to create a conducive environment for domestic investors—such as providing tax incentives and improving infrastructure—have encouraged local enterprises to thrive. As domestic investments continue to grow, they complement FDI by fostering competition and innovation within the manufacturing sector, ultimately leading to greater economic output. Specific industries within the manufacturing sector have demonstrated significant contributions to Tangerang's GDP growth. Notably, the textiles and automotive industries have emerged as key players in this regard. The textile industry, with its rich history in Indonesia, remains a cornerstone of the manufacturing landscape in Tangerang. The establishment of numerous textile factories has not only provided employment opportunities but has also positioned Tangerang as a major supplier in both domestic and international markets. Similarly, the automotive sector has witnessed substantial growth due to increased consumer demand and favorable government policies aimed at promoting local production. Automotive manufacturers have invested heavily in production facilities in Tangerang, resulting in job creation and enhanced economic activity that directly contribute to GDP.

The diverse industrial base in Tangerang further underscores its importance as an economic engine for the region. Beyond textiles and automotive, other sectors such as electronics, food processing, and machinery also play significant roles in driving economic growth. The presence of over 1,000 factories within Tangerang's industrial zones highlights the city's capacity for varied production activities. Each industry contributes uniquely to GDP through its specific outputs and employment generation capabilities. For instance, electronics manufacturers not only produce goods for local consumption but also engage in exports, thereby generating foreign exchange earnings that bolster the national economy. In conclusion, the contributions of both FDI and DI to economic growth in Tangerang City are evident through their positive impacts on GDP and employment rates within the manufacturing sector. The strategic location of Tangerang, coupled with supportive government policies and a diverse industrial base, has positioned it as a vital hub for investment in Indonesia. As foreign and domestic investments continue to flow into the region, it is essential for policymakers to ensure that these investments are harnessed effectively to promote sustainable economic development. By fostering an environment conducive to innovation and competitiveness across various industries, Tangerang can maintain its trajectory of growth while addressing challenges such as unemployment and income inequality. Ultimately, the synergy between FDI and DI will be crucial for driving long-term economic prosperity in Tangerang City and contributing to Indonesia's broader economic goals.

Challenges Faced by the Manufacturing Sector

The manufacturing sector in Indonesia, particularly in Tangerang City, faces a multitude of challenges that hinder its growth and competitiveness. Among these challenges, low labor productivity stands out as a significant barrier. Despite the positive trends observed in investment and job creation, labor productivity in Indonesia's manufacturing sector remains notably lower compared to other ASEAN countries. This disparity poses serious challenges for the competitiveness of Indonesian manufacturers in both domestic and international markets. For instance, while countries like Vietnam and Thailand have made substantial strides in enhancing productivity through technological advancements and workforce training, Indonesia has struggled to keep pace. The result is a manufacturing sector that, while growing, is not achieving its full potential in terms of output efficiency.

Low labor productivity can be attributed to several factors, including inadequate skills training and education among the workforce. Many workers in the manufacturing sector lack access to vocational training programs that could enhance their skills and improve their efficiency on the job. As a result, the workforce may not be fully equipped to operate advanced machinery or implement modern production techniques that could boost productivity. Additionally, the reliance on traditional methods of production further exacerbates this issue, as many companies have been slow to adopt new technologies that could streamline operations and reduce costs. Without significant improvements in labor productivity, Indonesian manufacturers will continue to face challenges in competing with their counterparts in other countries that have successfully embraced innovation and efficiency.

Another major challenge faced by the manufacturing sector in Tangerang is regulatory hurdles that complicate the investment landscape. Investors have consistently cited bureaucratic challenges and regulatory inconsistencies as significant barriers to maximizing their investments in the region. The complex web of regulations that govern business operations can create uncertainty for companies considering entering or expanding within the market. For example, lengthy licensing processes, unclear tax policies, and inconsistent enforcement of regulations can deter both foreign and domestic investors from committing capital to the manufacturing sector. This bureaucratic environment not only slows down the decision-making process for investors but also increases operational costs, ultimately impacting profitability.

The regulatory framework governing Indonesia's manufacturing sector has been criticized for being cumbersome and lacking transparency. Investors often face difficulties navigating the various permits and licenses required to establish or expand operations. Additionally, frequent changes in regulations can create confusion and lead to compliance challenges for businesses. As a result, many companies may choose to delay or scale back their investment plans due to concerns about regulatory risks. To address these challenges, it is essential for the Indonesian government to streamline regulatory processes and create a more transparent business environment that encourages investment.

Moreover, external factors such as global economic conditions also play a crucial role in shaping the challenges faced by Indonesia's manufacturing sector. For instance, fluctuations in global demand can significantly impact production levels and employment rates within the industry. As seen during periods of economic downturns or trade tensions between major economies, Indonesian manufacturers may experience reduced orders from international clients, leading to lower output and potential layoffs. The recent decline in Indonesia's Purchasing Managers' Index (PMI) serves as a stark reminder of how vulnerable the manufacturing sector is to external shocks. A PMI below 50 indicates contraction within the sector, signaling potential difficulties ahead for manufacturers operating in an increasingly competitive global landscape.

In light of these challenges, it is imperative for stakeholders within Indonesia's manufacturing sector—ranging from government agencies to industry players—to collaborate on developing comprehensive strategies aimed at enhancing productivity and addressing regulatory hurdles. Initiatives such as investing in workforce training programs can help bridge skill gaps within the labor force while fostering a culture of continuous improvement among manufacturers. Additionally, simplifying regulatory processes and providing clearer guidelines can create a more favorable investment climate that attracts both domestic and foreign capital.

In conclusion, while there are positive trends within Indonesia's manufacturing sector, significant challenges remain that must be addressed to ensure sustainable growth and competitiveness. Low labor productivity continues to hinder the ability of Indonesian manufacturers to compete effectively with their regional counterparts, while bureaucratic hurdles pose obstacles to attracting investment. By implementing targeted strategies aimed at improving workforce skills and streamlining regulations, Indonesia can position its manufacturing sector for greater success in an increasingly competitive global economy. The path forward requires collaboration among all stakeholders to create an environment conducive to innovation, efficiency, and sustained economic growth within the manufacturing landscape of Tangerang City and beyond.

Government Policies and Support

The Indonesian government has implemented a range of policies aimed at promoting investment, which have been instrumental in attracting both Foreign Direct Investment (FDI) and Domestic Investment (DI). The policy framework established by the government is designed to create a conducive environment for investors, thereby enhancing the overall economic landscape of the country. One of the key components of this framework is the introduction of various tax incentives that serve to encourage businesses to establish or expand their operations in Indonesia. These incentives include tax allowances, tax holidays, and import duty exemptions, which collectively aim to reduce the financial burden on companies and improve their profitability.

Under Government Regulation No. 78 of 2019 and subsequent amendments, Indonesia offers tax allowances that provide a significant reduction in corporate income tax (CIT) for eligible businesses. Specifically, companies can receive a 30% reduction of CIT based on capital investment over six years. This initiative is particularly beneficial for new capital investments and expansions within select industries, thereby stimulating growth in sectors that are critical to the national economy. Additionally, the tax holiday scheme allows eligible businesses in pioneer sectors such as manufacturing and infrastructure to enjoy full exemptions from CIT for periods ranging from 5 to 20 years, depending on the scale of their investment. This flexible approach to taxation not only incentivizes larger investments but also encourages smaller-scale projects through a "mini" tax holiday that provides a 50% reduction in CIT for up to five years.

Another significant aspect of the Indonesian government's investment policy is the streamlining of licensing processes. The enactment of the Job Creation Law (Omnibus Law) in 2020 was a landmark move aimed at simplifying investment and licensing procedures by consolidating 77 existing laws into a more coherent regulatory framework. This reform has made Indonesia's regulatory landscape more transparent and predictable, thereby reducing bureaucratic hurdles that often deter potential investors. The government has also introduced end-to-end services that provide tailored support for each investor, ensuring that they receive assistance throughout the investment process. By enhancing the efficiency of licensing procedures, the government aims to attract more foreign and domestic investments into the manufacturing sector.

In addition to attracting larger foreign investors, the Indonesian government has also prioritized support for micro-enterprises as part of its broader economic strategy. Recognizing that micro, small, and medium-sized enterprises (MSMEs) play a vital role in job creation and economic development, various initiatives have been launched to foster these businesses. For instance, programs aimed at providing access to financing, training, and market opportunities have been implemented to empower local entrepreneurs. By nurturing micro-enterprises, the government not only creates additional opportunities for local businesses but also ensures that they can thrive alongside larger foreign investors. This inclusive approach contributes to a more balanced economic environment where both large corporations and small businesses can coexist and prosper.

The government's commitment to supporting micro-enterprises is reflected in its policies that emphasize equal treatment for all investors—domestic or foreign—while also providing specific assistance tailored to MSMEs. This includes facilitating access to credit through state-owned banks and offering training programs designed to enhance business skills among local entrepreneurs. By focusing on building capacity within micro- enterprises, Indonesia aims to create a robust ecosystem that fosters innovation and entrepreneurship across various sectors.

Despite these positive initiatives, challenges remain in effectively implementing these policies and ensuring that they translate into tangible benefits for all stakeholders involved. For instance, while tax incentives are designed to attract investments, there is often a lack of awareness among potential investors regarding these opportunities. Additionally, regulatory inconsistencies can still pose challenges for businesses attempting to navigate the investment landscape. To address these issues, ongoing efforts are needed to improve communication between government agencies and potential investors while ensuring that policies are consistently enforced across regions.

In conclusion, the Indonesian government's policies aimed at promoting investment have played a crucial role in attracting both FDI and DI into the country’s manufacturing sector. Through tax incentives, streamlined licensing processes, and support for micro- enterprises, the government has created an environment conducive to business growth and economic development. The emphasis on fostering micro-enterprises alongside larger foreign investors ensures a more inclusive approach to economic growth while addressing issues such as unemployment and income inequality. However, continued efforts are necessary to enhance awareness of available incentives and improve regulatory consistency to maximize the effectiveness of these policies. By doing so, Indonesia can further solidify its position as an attractive destination for investment while promoting sustainable economic growth across all sectors of its economy.

Social Impact and Community Development

The social impact of foreign and domestic investment in Tangerang City has been profound, particularly in terms of reducing unemployment and contributing to community development. The influx of investments has created numerous job opportunities, leading to a significant decrease in unemployment rates. This correlation between increased investment and reduced unemployment is crucial for improving the living standards of local communities. As businesses expand and new companies enter the market, they require a workforce to meet production demands. This need for labor translates into job creation, which not only provides income for families but also stimulates local economies through increased consumer spending.

Research indicates that the manufacturing sector, bolstered by both FDI and DI, has been a key driver in this job creation effort. For instance, as foreign companies establish operations in Tangerang, they often bring with them advanced technologies and efficient production methods that enhance productivity. This increase in productivity can lead to higher output levels, necessitating a larger workforce. Furthermore, many of these foreign firms are

committed to hiring local talent, aligning with the stipulations of Indonesian law that prioritize local labor utilization. By providing stable employment opportunities, these investments help to alleviate poverty and improve the overall economic well-being of the community.

In addition to job creation, investments have also been linked to broader poverty alleviation efforts in Tangerang City. Stable employment opportunities are critical for reducing poverty levels, as they provide individuals and families with a reliable source of income. With more people employed, there is a greater likelihood that households can meet their basic needs, invest in education, and access healthcare services. The positive effects of employment extend beyond individual families; they contribute to community development by fostering a sense of stability and security within neighborhoods.

Moreover, investments often come with initiatives aimed at enhancing skill development among the workforce. Many companies recognize that investing in employee training and development is essential for maintaining competitiveness in an increasingly globalized market. As a result, businesses in Tangerang have implemented various training programs designed to upskill their employees. These programs not only improve the skill sets of workers but also increase their employability in the long term. By enhancing workforce capabilities, investments contribute to creating a more skilled labor pool that can adapt to changing industry demands.

Despite these positive impacts, it is essential to acknowledge that the relationship between investment and employment is not always straightforward. While increased investment typically leads to job creation, there are instances where the benefits may not be evenly distributed across all segments of society. For example, some sectors may experience higher levels of investment than others, leading to disparities in job opportunities. Additionally, certain industries may adopt capital-intensive production methods that do not require significant labor input, which can limit the overall impact on employment rates.

To address these challenges and ensure that the benefits of investment are felt throughout the community, targeted policies are necessary. The government has a critical role to play in facilitating inclusive growth by promoting investments in sectors that have high labor absorption potential. For instance, focusing on industries such as agriculture or services can create more job opportunities for low-skilled workers who may otherwise be left behind in a rapidly changing economy.

Furthermore, local governments can enhance their efforts by collaborating with educational institutions to align training programs with industry needs. By fostering partnerships between businesses and vocational schools or universities, Tangerang can create pathways for students and unemployed individuals to gain relevant skills that matchmarket demands. This approach not only addresses skills gaps but also empowers individuals by providing them with the tools they need to succeed in the workforce. In conclusion, the social impact of foreign and domestic investment in Tangerang City is evident through its contributions to reducing unemployment rates and alleviating poverty within local communities. The correlation between increased investment and job creation highlights the importance of fostering a favorable environment for both foreign and domestic investors. Moreover, investments that prioritize skill development further enhance the capacity of the workforce while promoting sustainable economic growth.

As Tangerang continues to attract investment into its manufacturing sector, it is vital for stakeholders—including government agencies, businesses, and educational institutions—to work collaboratively towards maximizing these benefits for all residents. By implementing targeted policies that support inclusive growth and investing in workforce development initiatives, Tangerang can ensure that its economic progress translates into improved living standards for its citizens while addressing issues related to inequality and poverty effectively.

Ultimately, the success of these efforts will depend on ongoing commitment from all parties involved to create an equitable economic environment where everyone has access to

opportunities for advancement. Through such collaborative approaches focused on community development and social impact enhancement driven by investments, Tangerang City can pave the way towards a more prosperous future for its residents while setting an example for other regions across Indonesia striving for similar outcomes.

CONCLUSION

In conclusion, the investment trends in Tangerang City from 2010 to 2023 illustrate a significant correlation between increased foreign direct investment (FDI), domestic investment (DI), and positive economic outcomes, particularly in terms of job creation and GDP contributions from the manufacturing sector. The data reveals a steady rise in total investments, which grew from IDR 150 trillion in 2010 to IDR 265.25 trillion by 2023. This growth has been accompanied by a substantial increase in employment opportunities, with jobs created rising from 50,000 to over 110,000 during the same period. The decline in the unemployment rate from 10.5% to 7% further underscores the effectiveness of these investments in enhancing the local labor market.

The manufacturing sector has played a pivotal role in this economic transformation, contributing significantly to Tangerang's GDP. The sector's contribution rose from IDR 30 trillion in 2010 to IDR 52.5 trillion by 2023, reflecting the increasing productivity and competitiveness of local industries. This growth can be attributed to both the influx of foreign capital and the expansion of domestic enterprises, which have collectively fostered a more robust economic environment.

Despite facing challenges such as low labor productivity and regulatory hurdles, the government's proactive policies aimed at attracting investment and supporting micro-enterprises have been instrumental in driving economic growth. As Tangerang continues to evolve as an investment hub, it is essential for stakeholders to maintain focus on inclusive growth strategies that ensure all segments of society benefit from economic advancements. By fostering collaboration among government entities, businesses, and educational institutions, Tangerang can sustain its trajectory of growth while addressing social issues such as unemployment and poverty effectively. Ultimately, the city's experience serves as a valuable model for other regions seeking to leverage investment for sustainable economic development.

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