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Policy analysis of capital asymmetry: mitigating domestic-foreign investment imbalances

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Dinas Penanaman Modal dan Pelayanan Terpadu Satu Pintu Kota Palembang, Indonesia

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ABSTRACT

Palembang City exceeded its 2025 investment target, recording IDR 11.45 trillion, or 127.25% of the IDR 9 trillion target. However, this aggregate achievement concealed a pronounced capital asymmetry: domestic investment (Penanaman Modal Dalam Negeri, PMDN) reached IDR 10.36 trillion (90.5%), whereas foreign investment (Penanaman Modal Asing, PMA) accounted for IDR 1.09 trillion (9.5%). This study aims to explain the PMDN-PMA imbalance and formulate an asymmetric investment policy for Palembang City. A mixed-method policy-analysis design combined official 2024-2025 investment data, DPMPTSP performance documents, regulatory analysis, and William N. Dunn's six policy-evaluation criteria. The results identify three interrelated problems: a uniform-policy trap, limited PMA-targeted promotion and incentives, and an implementation gap between administrative performance and substantive obstacle resolution. Although online licensing reached 99.76% and the public satisfaction index reached 90.44, only 37.5% of business obstacles were resolved against an 80% target. The Quick Wins scenario—comprising a Foreign Investor Desk, an SLA-based fast track, multilingual investment information, and proactive aftercare—received the highest score (16) and is prioritized for the short term. Integrated investment intelligence is recommended for the medium term, followed by investment-ready land and conditional non-fiscal incentives in the long term. The phased model strengthens institutional responsiveness, investment quality, and linkages between PMA, PMDN, and local MSMEs.



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Introduction

Indonesia's decentralization framework, particularly Law Number 23 of 2014 on Regional Government, gives local governments an important role in creating a conducive investment climate, facilitating business activity, and designing investment strategies that reflect regional characteristics. Domestic investment (Penanaman Modal Dalam Negeri, PMDN) and foreign investment (Penanaman Modal Asing, PMA) can expand production capacity, create employment, strengthen regional revenues, and support sustainable local development (Todaro & Smith, 2015). Their contribution, however, depends not only on the nominal amount invested but also on sectoral quality, institutional support, and linkages with the local economy.

Palembang City illustrates the difference between aggregate achievement and investment-structure quality. According to the official investment recapitulation, total realization in 2025 reached IDR 11,452,442,139,039, equivalent to 127.25% of the IDR 9 trillion target. PMDN contributed IDR 10,359,190,423,811, whereas PMA contributed IDR 1,093,251,715,228. PMDN therefore accounted for 90.5% of total investment and PMA for 9.5%, producing a PMDN-to-PMA ratio of approximately 9.5:1 (DPMPTSP Kota Palembang, 2026).

PMA nonetheless improved substantially. Its value rose from IDR 544,174,836,365 in 2024 to IDR 1,093,251,715,228 in 2025, an increase of 100.9%. PMDN rose by 23.5% during the same period. The much higher PMA growth rate indicates renewed foreign-investor interest, but the increase began from a small base and therefore did not fundamentally rebalance the capital structure. A policy response must consequently distinguish between growth in PMA and the broader issue of whether PMA has reached a scale and quality sufficient to diversify the regional economy.

Capital asymmetry also affects the quality of regional capital formation. The Palembang City DPMPTSP set a target of 43.77% for the ratio of Gross Fixed Capital Formation (Pembentukan Modal Tetap Bruto, PMTB) to Gross Regional Domestic Product (Produk Domestik Regional Bruto, PDRB). The 2025 realization reached 40.98%, or 93.63% of the target. This result shows that exceeding the nominal investment target did not automatically produce the expected expansion of productive assets. Growth theory emphasizes that capital accumulation contributes most strongly to long-term development when it supports productive capacity, technology, knowledge, and productivity (Solow, 1956; Romer, 1990; Aghion & Howitt, 1998).

A second anomaly appears when investment outcomes are compared with administrative performance. The Community Satisfaction Index reached 90.44 against a target of 85, the Risk Management Index reached 3.35 against 3.04, and online licensing services reached 99.76%. In contrast, the resolution of business obstacles reached only 37.5% against an 80% target (DPMPTSP Kota Palembang, 2025). The organization therefore performed strongly at the administrative entry point but less effectively when investors faced substantive post-permit constraints involving land, spatial planning, utilities, inter-agency coordination, or operational certainty.

Three theoretical perspectives explain this gap. First, Dunning's ownership-location-internalization framework places location advantages—including infrastructure, market access, labor quality, legal certainty, and government responsiveness—at the center of foreign-investment decisions (Dunning, 1993). Second, New Institutional Economics explains how formal rules, enforcement quality, and coordination mechanisms shape transaction costs (North, 1990; Paul & Jadhav, 2020). Third, information-asymmetry theory shows that investors with limited local knowledge incur higher costs in identifying land status, regulatory requirements, suppliers, and implementation risks (Akerlof, 1970; Stiglitz, 2002).

Palembang already possesses strategic assets, including Light Rail Transit, Sultan Mahmud Badaruddin II International Airport, trans-Sumatra toll-road connectivity, and access to regional logistics corridors. Nevertheless, infrastructure alone does not guarantee foreign-investor location decisions. Indonesian provincial evidence indicates that utilities, human development, market size, and export capacity influence FDI, while wider Asian evidence shows that institutional quality can operate as a threshold condition for investment location (Budiono & Purba, 2023; Nurkhin et al., 2024; Zhang & Kim, 2022). Consequently, physical connectivity must be translated into investment-ready projects, reliable information, and credible problem-solving institutions.

The research gap is threefold. First, city-level policy analyses that explicitly examine the asymmetry between PMDN and PMA remain limited. Second, previous studies commonly analyze investment determinants or economic effects without integrating investment-realization data with internal service-performance indicators. Third, the literature rarely develops an asymmetric policy design that differentiates service instruments according to investor scale, risk, information needs, and potential local contribution. Such differentiation is not discriminatory; it is a proportional policy response to structurally different investor requirements.

Accordingly, this study aims to: (1) analyze the pattern and root causes of the PMDN-PMA imbalance in Palembang City; (2) assess regulatory, promotional, informational, and implementation gaps; (3) evaluate policy alternatives using William N. Dunn's six criteria; and (4) formulate a phased and measurable capital-asymmetry policy. The study contributes by conceptualizing capital asymmetry as a combined mismatch among investment composition, institutional capability, and productive outcomes, rather than as a ratio alone.

Table 1. Root Causes of Palembang City's Investment-Policy Problem

Problem	Indicator/Empirical Evidence	Policy Implication
Uniform-policy trap: regulations and services do not sufficiently distinguish PMDN and PMA needs.	PMDN represented 90.5% and PMA 9.5% of 2025 realization (approximately 9.5:1).	Differentiate promotion, facilitation, aftercare, and performance indicators according to investor characteristics.
Policy gap: promotion and incentives are not sufficiently targeted toward foreign investors and priority sectors.	PMA increased rapidly but remained a small share of total investment and was not yet large enough to rebalance the structure.	Use targeted investment promotion, project-specific information, and conditional non-fiscal incentives.
Implementation gap: administrative services are strong, but substantive obstacle resolution remains weak.	Online licensing reached 99.76%, whereas business-obstacle resolution reached only 37.5% against an 80% target.	Strengthen debottlenecking and aftercare through a dedicated Foreign Investor Desk and time-bound escalation mechanism.

Source: Author's analysis based on DPMPTSP Kota Palembang (2025, 2026).

Method

This study employed a mixed-method policy-analysis design. The quantitative component described the value, growth, proportion, and target achievement of PMDN and PMA. The qualitative component examined institutional performance, legal authority, regulatory design, implementation constraints, and the theoretical mechanisms that shape foreign-investor decisions. This combination was appropriate because capital asymmetry cannot be explained by investment values alone; it must be interpreted alongside institutional quality, information availability, sectoral readiness, and the government's capacity to resolve obstacles.

The data corpus comprised: (1) Palembang City's PMDN and PMA realization data for 2024 and 2025; (2) the 2025 Main Performance Indicators, Regional Performance Indicators, and Activity Performance Indicators of DPMPTSP Kota Palembang; (3) national and regional regulations governing investment, risk-based business licensing, incentives, and local-government authority; and (4) peer-reviewed literature and official policy reports on FDI determinants, institutional quality, information asymmetry, productivity spillovers, and domestic-supplier linkages. Documents were selected purposively when they met four criteria: official or peer-reviewed provenance, direct relevance to the research questions, temporal relevance to the 2024-2025 observation period or current regulatory framework, and sufficient completeness for verification. The 2026 DPMPTSP recapitulation was used because it is the official publication consolidating investment realization for the 2025 measurement year.

The analysis proceeded in five stages. First, descriptive-comparative analysis calculated annual growth, investment shares, and the PMDN-to-PMA ratio. Second, performance-gap analysis compared process indicators (satisfaction, risk management, and online licensing), output indicators (investment realization), and outcome indicators (PMTB/PDRB and obstacle resolution). Third, theoretical coding interpreted the findings through the OLI paradigm, New Institutional Economics, information asymmetry, endogenous growth, and crowding-in mechanisms. Fourth, regulatory analysis assessed the legal space available to the city government for differentiated non-fiscal facilitation, investor aftercare, inter-agency coordination, and performance management. Fifth, policy alternatives were evaluated using Dunn's criteria of effectiveness, efficiency, adequacy, equity, responsiveness, and feasibility (Dunn, 2003).

Each alternative received a score from 1 to 3 for every criterion. A score of 1 indicated low expected performance, high cost, limited adequacy, weak equity, low responsiveness, or high implementation risk. A score of 2 indicated moderate performance. A score of 3 indicated high performance, proportionality, responsiveness, or feasibility. Total scores established an initial priority order, while the final recommendation also considered sequencing, institutional readiness, fiscal capacity, and implementation risk.

Data credibility was strengthened through source triangulation among investment recapitulations, performance documents, regulations, and empirical literature. All percentages and growth rates were recalculated from the reported nominal values, and policy interpretations were checked against the formal authority of local government. The study does not claim causal inference from the two-year investment series; instead, the quantitative evidence serves as a diagnostic foundation for a structured policy analysis.

Table 2. Operational Parameters for Evaluating Policy Alternatives

Criterion	Operational Indicator	Evaluation Parameter	Score 1-3
Effectiveness	Potential to increase quality PMA and improve PMTB/PDRB.	Expected change within 12-24 months.	1 = low; 2 = moderate; 3 = high
Efficiency	Program cost relative to regional fiscal and organizational capacity.	Capital and operating expenditure requirements.	1 = low efficiency; 2 = moderate; 3 = high
Adequacy	Capacity to remove major investment bottlenecks.	Speed and completeness of obstacle resolution.	1 = inadequate; 2 = moderate; 3 = adequate
Equity/Fairness	Differentiation based on risk, need, and contribution.	Proportional treatment of PMDN and PMA.	1 = weak; 2 = moderate; 3 = proportional
Responsiveness	Capacity to address foreign-investor needs.	Aftercare, SLA assurance, and multilingual service.	1 = low; 2 = moderate; 3 = high
Feasibility	Alignment with law, fiscal capacity, and institutional readiness.	Ease of implementation and legal/coordination risk.	1 = low; 2 = moderate; 3 = high

Source: Adapted from Dunn (2003) and operationalized by the author.

Results and Discussions

Empirical Pattern of Capital Asymmetry in 2024-2025

In 2024, total investment realization in Palembang City reached IDR 8,929,982,703,559. PMDN contributed IDR 8,385,807,867,194 (93.9%), whereas PMA contributed IDR 544,174,836,365 (6.1%). In 2025, total realization rose to IDR 11,452,442,139,039. PMDN increased to IDR 10,359,190,423,811 (90.5%), and PMA increased to IDR 1,093,251,715,228 (9.5%).

PMA grew by 100.9%, PMDN by 23.5%, and total investment by 28.2%. The acceleration of PMA is encouraging, but the base effect remains substantial: even after doubling, PMA represented less than one-tenth of total realization. The 2025 PMDN-to-PMA ratio remained approximately 9.5:1, meaning that every IDR 1 of foreign investment was accompanied by about IDR 9.5 of domestic investment.

Table 3. Investment Realization in Palembang City, 2024-2025

Investment Type	2024 (IDR)	2025 (IDR)	Growth
PMA	544,174,836,365	1,093,251,715,228	+100.9%
PMDN	8,385,807,867,194	10,359,190,423,811	+23.5%
Total	8,929,982,703,559	11,452,442,139,039	+28.2%

Source: DPMPSTSP Kota Palembang (2026), processed by the author.

PMDN dominance is not inherently problematic. Domestic investment supports local entrepreneurship, service provision, employment, and regional market development. The policy concern is whether the overall portfolio creates sufficient diversification, technology transfer, export capacity, and supplier upgrading. Evidence from Indonesia shows that FDI benefits depend on the depth of linkages with domestic firms and the capacity of local suppliers to absorb knowledge and demand (Nakamura, 2024; Reed et al., 2024). The objective is therefore to strengthen complementary, high-quality PMA without displacing productive PMDN.

The Paradox of Investment Quantity and Quality

Palembang's 2025 investment performance presents a policy paradox. The city exceeded its nominal target by 27.25%, yet the PMTB-to-PDRB ratio reached 40.98% against a target of 43.77%. The difference indicates that a high realized value does not automatically translate into an equivalent increase in fixed productive assets. Investment evaluation should therefore distinguish between the amount of capital recorded and the quality of capital formation generated.

Endogenous-growth theory identifies knowledge, innovation, and technology as central sources of sustained productivity (Romer, 1990). Investment concentrated in activities with limited asset formation, innovation, or inter-industry linkages may raise short-term transaction values without proportionately expanding productive capacity. By contrast, investment that introduces technology, strengthens processing activities, supports exports, and develops suppliers can create broader spillovers. This explains why Palembang requires quality-based indicators in addition to aggregate realization.

Localized Determinants of PMA from the OLI Perspective

Under the OLI paradigm, multinational enterprises invest when ownership advantages can be combined with attractive location conditions and efficient internalization (Dunning, 1993). Local governments primarily influence the location dimension. Palembang's transport infrastructure constitutes an important asset, but investors assess the location as an integrated package that includes land certainty, utility reliability, workforce capability, regulatory consistency, contract enforcement, market access, and the speed of resolving implementation barriers.

Zhang and Kim (2022) demonstrate that institutional quality can function as a threshold in FDI location decisions, while Budiono and Purba (2023) show that utilities and human development matter across Indonesian provinces. Thus, infrastructure that is visible at the macro level may fail to generate investment when project-level information, land readiness, and institutional assurance remain weak. The high satisfaction index in Palembang indicates a positive administrative experience, but it does not by itself demonstrate that the full investment cycle—from exploration and licensing to construction, operation, and expansion—is effectively governed.

Institutional Quality and Transaction Costs

New Institutional Economics treats institutions as the rules that structure exchange and determine transaction costs (North, 1990). Foreign investors face additional costs arising from jurisdictional differences, language, legal procedures, business culture, limited local networks, and uncertainty about coordination among public agencies. Evidence from emerging markets confirms that regulatory quality, rule of law, political stability, infrastructure, and trade costs influence FDI decisions (Paul & Jadhav, 2020).

Palembang's performance data reveal a gap between process achievement and substantive outcomes. Planning completion, satisfaction, risk management, and online services met or exceeded their targets, whereas business-obstacle resolution remained far below target. This pattern suggests that reform has advanced more rapidly in digital administration than in cross-sector debottlenecking. Without a designated unit, case-management system, escalation pathway, and time-bound accountability, investor problems can circulate among agencies without a definitive solution.

Table 4. Process-Output-Outcome Gap in Palembang City, 2025

Indicator	Target	Realization	Achievement	Category
Community Satisfaction Index	85	90.44	106.4%	Process
Risk Management Index	3.04	3.35	110.2%	Process
Online Licensing Services	90%	99.76%	110.8%	Process
Total Investment Realization	IDR 9 trillion	IDR 11.45 trillion	127.25%	Output
PMTB/PDRB	43.77%	40.98%	93.63%	Outcome
Business-Obstacle Resolution	80%	37.5%	46.9%	Outcome

Source: DPMP TSP Kota Palembang (2025), processed by the author.

Information Asymmetry and Foreign-Investor Service Needs

Information asymmetry arises when one party has less complete or less usable information than another (Akerlof, 1970; Stiglitz, 2002). Domestic investors are generally more familiar with local administrative practices, markets, suppliers, and informal coordination channels. Foreign investors must invest additional time and resources to verify spatial plans, land status, licenses, utilities, labor, local partners, and regulatory changes. Digital licensing systems reduce procedural access costs, but they do not automatically provide decision-ready information for international firms.

A multilingual investment portal should therefore move beyond general promotion. It should provide geospatial opportunity maps, project profiles, land and utility status, sectoral data, procedural simulations, relevant regulations, supplier information, and a single accountable contact. Combined with proactive aftercare, an Investment Intelligence System can reduce search costs, preserve case histories, identify recurring bottlenecks, and improve investor confidence in the consistency of local services.

Crowding-In between PMA, PMDN, and MSMEs

Increasing PMA need not conflict with the development of PMDN. Foreign firms generate demand for raw materials, construction, logistics, maintenance, transportation, professional services, catering, and labor. These backward and forward linkages can create a crowding-in effect when domestic firms and MSMEs possess sufficient capability to enter the supply chain. Indonesian evidence indicates that foreign firms source a large share of inputs locally and that downstream FDI can improve employment and productivity in upstream domestic firms, although deeper export and innovation linkages remain limited (Reed et al., 2024).

For Palembang, downstream rubber, CPO processing, food manufacturing, logistics, and green infrastructure provide plausible areas for complementarity. Facilitation packages should therefore connect investor convenience with measurable commitments to local-supplier development, workforce training, technology adoption, and transparent environmental and social standards. This design protects the contribution of PMDN while using PMA to expand market access and productive capability.

Comparative Benchmarking and Theoretical Implications

Available city-level snapshots indicate that Palembang's foreign-investment share is comparatively low. PMA represented 9.5% of Palembang's 2025 realization, compared with 25% in Tangerang City during the second quarter of 2025 and approximately 20.6% in Balikpapan's final 2023 realization (DPMPTSP Kota Tangerang, 2025; DPMPTSP Kota Balikpapan, 2024). Because the reporting periods differ, these figures are illustrative rather than a standardized ranking. Even so, they show that a PMDN-dominant urban economy can still maintain a materially larger foreign-investment component than Palembang.

The broader comparative literature reinforces three findings. First, subnational FDI depends on market scale, exports, utilities, labor quality, and agglomeration. Second, institutional quality determines whether these economic advantages are credible to foreign investors. Third, FDI creates stronger regional benefits when local firms can absorb knowledge and participate in supply chains. Table 5 synthesizes seven studies that provide relevant benchmarks for Palembang.

Table 5. Comparative Evidence from Indonesian Regions and ASEAN

Study	Setting	Main Finding	Relevance to Palembang
Firdaus & Widyasastrena (2016)	West Java districts/cities	PMA and PMDN realization is spatially and sectorally concentrated in locations with stronger industrial advantages.	Promotion should be project- and location-specific rather than generic.
Budiono & Purba (2023)	34 Indonesian provinces	Electricity, water availability, human development, and pandemic resilience significantly shape FDI.	Utilities and workforce readiness must accompany physical connectivity.
Nurkhin et al. (2024)	Indonesian provincial panel	GRDP and exports have positive and significant relationships with FDI.	PMA strategy should prioritize scalable and export-linked sectors.
Hiep et al. (2022)	Vietnamese provinces	Provincial institutional quality mediates productivity gains from FDI.	Institutional capacity determines whether PMA improves productivity.
Zhang & Kim (2022)	South and Southeast Asia	Institutional quality operates as a threshold condition in FDI location decisions.	Administrative convenience is insufficient without credible institutional assurance.
Nakamura (2024)	Java and Indonesia's outer islands	FDI productivity spillovers can be larger outside Java when local linkages are effective.	Palembang can leverage its outer-island position through supplier upgrading.
Reed et al. (2024)	Indonesian manufacturing	FDI creates domestic linkages, but export orientation, R&D, and wage/productivity effects remain uneven.	Facilitation should require measurable local-linkage and capability outcomes.

Source: Synthesized by the author from the cited studies.

Theoretically, the Palembang case extends the OLI framework by showing that location advantage is produced through a governance chain rather than through infrastructure alone. A city may possess transport connectivity and digital licensing while still offering a weak effective location advantage when problem resolution, project information, and inter-agency coordination are inadequate. Capital asymmetry therefore reflects not merely an unequal ratio of PMDN and PMA, but an institutional misalignment between administrative processes, investor needs, and productive outcomes.

From a decentralization perspective, formal local authority is necessary but insufficient. The practical value of decentralization depends on whether the city can coordinate agencies, create credible service standards, mobilize spatial and sectoral data, and attach local-development conditions to facilitation. This interpretation is

transferable to other secondary cities that record high aggregate investment but limited PMA, weak fixed-capital formation, or low post-permit problem resolution.

Regulatory Framework Analysis

Indonesia's investment framework has moved toward risk-based licensing and broader investment openness through Law Number 6 of 2023, Government Regulation Number 5 of 2021, Government Regulation Number 28 of 2025, Presidential Regulation Number 10 of 2021 as amended by Presidential Regulation Number 49 of 2021, and implementing regulations issued by BKPM and the Ministry of Investment. These reforms simplify entry procedures and expand the role of the OSS system. Evidence from national reforms indicates that liberalization can increase both realized and planned investment, but complementary implementation capacity remains important (Montfaucon et al., 2023).

PMA projects generally operate at a larger scale and face more complex information, coordination, and compliance requirements than small domestic businesses. Consequently, PMA promotion cannot rely solely on the same channels and service standards used for routine domestic licensing. Foreign investors require targeted acquisition, project-level information, consultation, predictable response times, and coordinated resolution of land, spatial, utility, labor, and construction issues. Law Number 23 of 2014 and the national investment framework provide local governments with space to facilitate investment within their authority.

The principal regulatory problem is therefore not an absence of national rules, but incomplete translation into local operating instruments. Palembang requires: (1) a mayoral decree establishing a Foreign Investor Desk and its cross-agency mandate; (2) a Service Level Agreement for initial response, escalation, and closure of investor cases; (3) a mayoral regulation on transparent, conditional non-fiscal facilities; and (4) a data-governance protocol integrating investment, spatial, land, utility, and supplier information. These instruments would convert general legal authority into accountable implementation.

Evaluation of Policy Alternatives Based on Dunn's Criteria

Three alternatives address the uniform-policy trap, policy gap, and implementation gap. Scenario A, the Quick Wins Framework, establishes a Foreign Investor Desk, a time-bound fast track, multilingual information, and proactive aftercare. Scenario B, the Structural Investment Push, develops investment-ready land, priority clusters, and conditional non-fiscal incentives. Scenario C, Integrated Data Governance, creates an Investment Intelligence System that combines OSS-LKPM data, spatial planning, project readiness, local suppliers, and obstacle monitoring.

Table 6. Policy-Alternative Evaluation Matrix Based on Dunn's Criteria

Criterion	Scenario A: Quick Wins	Scenario B: Structural Push	Scenario C: Data Governance
Effectiveness	2 (moderate)	3 (high)	2 (moderate)
Efficiency	3 (high)	1 (low)	2 (moderate)
Adequacy	2 (moderate)	3 (high)	2 (moderate)
Equity/Fairness	3 (proportional)	2 (moderate)	2 (moderate)
Responsiveness	3 (high)	2 (moderate)	2 (moderate)
Feasibility	3 (high)	1 (low)	3 (high)
Total score	16	12	13
Priority	I - short term	III - long term	II - medium term

Source: Author's evaluation based on Dunn (2003).

Scenario A received the highest score because it is relatively inexpensive, can be implemented by strengthening existing organizational capacity, and directly addresses the weakest outcome indicator: obstacle resolution. A Foreign Investor Desk requires a formal mandate, competent personnel, standard operating procedures, case tracking, and cross-agency escalation authority, but it does not require major physical investment. It is therefore the most feasible instrument for closing the short-term implementation gap.

Scenario C ranked second. Integrated data are necessary to reduce information asymmetry, target priority sectors, identify investment-ready projects, and monitor the investor journey from initial interest to realization and expansion. However, a digital system will not solve coordination problems unless agencies share data and officials use the information in case management. This alternative is therefore sequenced after the service and coordination functions are established.

Scenario B offers the strongest long-term structural effect because land readiness and industrial clustering can materially improve location advantage. Its fiscal cost, land-acquisition risk, infrastructure requirements, and coordination complexity are also the highest. Delaying this scenario until institutional and data capacity have matured reduces the risk of creating underused sites or incentives that are not matched to verified investor demand.

Phased Capital Asymmetry Policy Model

The three scenarios should not be treated as mutually exclusive. A sequential model aligns each instrument with the city's institutional, informational, fiscal, and legal readiness. Service responsiveness is established first, integrated intelligence second, and structural investment readiness third.

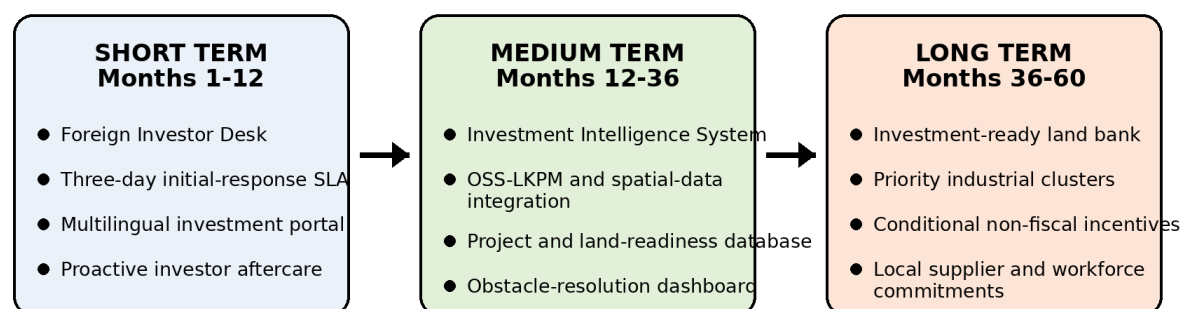
The implementation roadmap is divided into three phases. In the short-term phase (months 1–12), the priorities are to establish the Foreign Investor Desk, implement a maximum three-business-day initial-response service level agreement (SLA), launch multilingual investment opportunity information, prepare comprehensive investor pitch packs, and conduct proactive investor aftercare. In the medium-term phase (months 12–36), the focus shifts to developing the Investment Intelligence System by integrating OSS-LKPM data with spatial planning, land status, sectoral opportunities, utility infrastructure, local supplier information, and obstacle-resolution records to support informed investment decisions. In the long-term phase (months 36–60), the priorities include providing clear-and-clean investment-ready land, developing priority industrial clusters, and implementing conditional non-fiscal incentives linked to employment creation, supplier development, technology transfer, and environmental compliance.

Table 7. Palembang City Capital-Asymmetry Policy Action Plan

Implementation Period	Focus	Main Actions	Expected Output
Months 1-2	Institutional foundation	Issue mayoral decree; define mandate, personnel, SOP, case-management flow, and SLA.	Operational Foreign Investor Desk.
Months 3-5	Global information bridge	Launch multilingual portal, opportunity maps, project profiles, and investor pitch packs; distribute through BKPM and Indonesian missions.	Targeted and accessible investment information.
Months 6-8	Aftercare and debottlenecking	Assist existing investors, map recurring barriers, activate escalation, and report progress to the mayor.	Higher rate and speed of obstacle resolution.
Months 9-12	Evaluation and data prototype	Audit PMA pipeline, develop an IIS prototype, and draft conditional non-fiscal facility rules.	Transition to integrated data governance.
Months 12-36	Integrated data governance	Integrate OSS-LKPM, spatial, land, utility, sector, supplier, and case-resolution data.	Operational Investment Intelligence System.
Months 36-60	Structural investment push	Develop investment-ready land, priority clusters, and contribution-based non-fiscal facilities.	Higher-quality investment and stronger local crowding-in.

Source: Author's formulation based on the policy-alternative evaluation.

Phased Capital Asymmetry Policy Model



Sequencing logic: service responsiveness -> integrated data -> structural investment readiness

Source: Author's formulation.

Figure 1. Sequencing of the phased capital-asymmetry policy model.

Policy Implications

The institutional pillar begins with a Foreign Investor Desk that functions as a single accountable contact rather than a passive information counter. The unit should maintain named inter-agency officers, a case register,

escalation levels, response and closure deadlines, and periodic reporting to the mayor. These arrangements shift the service model from permit issuance to end-to-end investment facilitation.

The regulatory pillar should use transparent and conditional non-fiscal facilities. Recommended instruments include prioritized technical consultation, scheduled cross-agency meetings, accelerated coordination for spatial and building approvals within legal limits, workforce mapping, and supplier-development support. Eligibility should depend on sector priority and measurable contributions such as employment, technology transfer, export potential, local procurement, and environmental performance.

The spatial and data pillar should connect spatial plans, land status, utilities, logistics, OSS-LKPM information, and project profiles. Investment-ready land must be legally clear, technically documented, and connected to infrastructure. The Investment Intelligence System should also record investor interest, conversion rates, unresolved constraints, and reasons for project delay or cancellation, enabling evidence-based promotion and aftercare.

Performance management must move beyond aggregate realization. DPMPTSP should monitor the PMA share, PMTB/PDRB, median obstacle-resolution time, percentage of cases closed within the SLA, conversion of investor interest into realization, investment in priority sectors, local-supplier participation, employment, and reinvestment by existing firms. These indicators would align organizational incentives with substantive economic outcomes and reduce the risk of administrative-performance illusion.

Conclusions

This study aimed to explain the imbalance between PMDN and PMA and formulate an asymmetric investment policy for Palembang City. The analysis found a pronounced capital asymmetry in 2025: PMDN reached IDR 10.36 trillion (90.5%), while PMA reached IDR 1.09 trillion (9.5%), producing a ratio of approximately 9.5:1. Although PMA grew by 100.9%, the PMTB-to-PDRB ratio remained below target, indicating that aggregate investment achievement did not fully translate into the expected quality of capital formation. The imbalance is sustained by a uniform-policy trap, insufficiently targeted promotion and facilitation, and an implementation gap. Palembang performed strongly in online licensing and public satisfaction, but business-obstacle resolution reached only 37.5% against an 80% target. This process-outcome gap confirms that digital administration must be complemented by credible aftercare, cross-agency coordination, decision-ready information, and time-bound problem resolution. Dunn's evaluation placed the Quick Wins Framework first with a score of 16, followed by Integrated Data Governance with 13 and the Structural Investment Push with 12. The recommended sequence is therefore a Foreign Investor Desk and SLA-based aftercare in the short term, an Investment Intelligence System in the medium term, and investment-ready land with conditional non-fiscal facilities in the long term. The strategy does not seek to replace PMDN with PMA. It seeks to attract higher-quality PMA that expands technology, markets, and supplier demand while strengthening PMDN and MSMEs within local value chains. The resulting model is applicable to other secondary cities that combine high nominal investment with weak foreign-investment participation or limited productive outcomes.

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