

# Modeling Business-friendly Policy in Lampung Province

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**Abstract**—Lampung Province Government has a target to build a business-friendly ecosystem in Lampung Province. Are the government development plans matched with the target which was stated in the government mission? This research has the aim to model the business-friendly policy in Lampung Province. An inductive qualitative method is used to model it. In-depth interview with purposive sampling used to gather primary data. Secondary data from legal/regulation related to research topics also gathered in this research. The model concludes that business-friendly policy has four corners/elements, among them are business initiation, business potency, business models/patterns, and business process. Each corner has branches that describe how to implement the model. The model can be used by the government to build a business-friendly ecosystem.

**Keywords**—*ease of doing business, business ecosystem, model, business-friendly policy*

## 1. Introduction

Currently, a country's economy cannot be separated from the influence of technological developments. Technological developments have resulted in rapid economic growth, such as the presence of the Industrial Revolution 4.0 which is characterized by cyber physics (automation concept) and manufacturing collaboration. The Industrial Revolution 4.0 has created an internet world that supports industrial processes (Schwab, 2016). For this reason, in order to support very dynamic changing times, economic activities are needed that are not business as usual so economic activities require innovation and creativity in order to remain competitive.

As the province at the gateway to Sumatera Island, Lampung Province is experiencing the impact of technological developments and changing times. According to Nairobi (2021), some impacts of technology in Lampung include the rise of start-up forums, the increase of e-commerce players, cashless payments, the presence of smart villages, and the existence of a cashless society program. This is a reason for Lampung Province to compete in changing times and increase regional competitiveness. Lampung Province based on the Regional Competitiveness Index reached 3.02 in the high category (BRIN, 2023).

On the other hand, many obstacles haunt business people in creating new businesses. These obstacles do not only come

from internal business people, but also arise from many external factors. The results of a brief comparison between the development of new businesses in West Java Province and Lampung Province show that the character of business people in West Java can develop quite rapidly because it's supported by the creative character of. Neither are business people in Lampung Province. This is one of the internal obstacles. Meanwhile, the external factors themselves are caused by complicated and convoluted bureaucracy, especially in the business licensing sector.

Therefore, to overcome obstacles for business actors, Lampung Province has also begun to initiate the development of a business ecosystem. Through the Work Promise of the Governor and Deputy Governor of Lampung for the 2019-2024 period, which is an elaboration of the vision and mission, it is stated that a good business ecosystem is written in promises number 23 and 24 (ARINAL-NUNIK WORK PROMISE, 2019). This shows that political will as the foundation for developing a good business ecosystem in Lampung Province is starting to form. However, the obstacle is whether this big dream has been realized in a government policy. These conditions are the background indeed to form a good business ecosystem in Lampung Province. If West Java Province has succeeded in building a business ecosystem in the digital sector, then Lampung Province may also be able to make it happen. In fact, we also have to dream even bigger, namely building a friendly business ecosystem not only from the digital sector.

Currently, several government policies must follow environmental conditions in protecting micro, small, and medium economic actors. For example, the outbreak of the coronavirus began with cases of human pneumonia in Wuhan City, China at the end of December 2019 and the first case of the coronavirus appeared on March 2 2020 in Indonesia, which continues to roll out and develop to this day. This has resulted in the government's policy in dealing with the coronavirus with the implementation of PSBB (Large-Scale Social Restrictions) which has had a huge impact on the economic activities of the community, especially micro, small, and medium enterprises. This has resulted in several changes to protection policies for business actors. For example, by rolling out policies to protect the community's

economy with the PEN (National Economic Recovery) program so that economic actors can survive and continue their activities during the COVID-19 pandemic. Apart from that, the emergence of the coronavirus pandemic has encouraged business actors to innovate and be creative in their economic activities by utilizing IT technology and online systems to help economic actors survive during the current pandemic (<https://pen.kemenkeu.go.id/in/post/mengapa-program-pen>).

Looking at the existing regulations for the protection and empowerment of small, micro, and medium enterprises, it turns out that they have not been able to encourage the MSME (Micro, Small, and Medium Enterprises) business ecosystem in Lampung Province. Even though Lampung Province Regional Regulation Number 3 of 2016 concerning the Protection and Empowerment of Micro, Small, and Medium Enterprises has been made, the development of the business climate in Lampung Province is still not optimal. Not to mention the enactment of Law Number 11 of 2020 concerning Job Creation which revises Law Number 20 of 2008 concerning Micro, Small and Medium Enterprises (Law Number 11 of 2020 concerning Job Creation, 2020). A review of these changes, from changes in times to regulations, makes it necessary to restructure the business ecosystem, especially in the Lampung Province region.

The rising of uncertainty, from the disruption of industrial revolution, technological developments, until virus outbreak has already changed the game in business policy. The Lampung Province Regional Government on its mission of building a business-friendly ecosystem needs to face those uncertainties. The existing conventional policies urgently need to be upgraded. Then how to model the business-friendly policy which can adapt with the disruption?

## II. Research Purpose

This research aims to model the Lampung Provincial Government's policies in supporting Lampung as a Business Friendly Province.

## III. Literature Review

### A. Definition of Business-friendly and EODB

Business-friendly means that obtaining a business permit is shortened starting from procedures, time, and costs, making it easier for business actors to legalize their business (Business Friendly \_ Republika Online, 2016). Friendliness in business is stated in the political contract of the Governor and Vice Governor of Lampung number 24 which states that obtaining permits and standard costs for business actors will be simplified.

Ease of doing business (EODB) is a general description of a country's business life by paying attention to all supporting and inhibiting aspects that influence business development. Each country has a different level of ease of doing business and this ranking is issued by the World Bank. In 2020, the World Bank reported that Indonesia was at the 73rd level out of 190 countries in the Ease of Doing Business ranking, 2020 (The World Bank Group, 2020).

The World Bank in its Doing Business report has several assessment criteria, including:

1. Starting a business,
2. Dealing with construction permits

3. Getting electricity
4. Registering property
5. Getting credit
6. Protecting minority investor
7. Paying taxes
8. Trading across borders
9. Enforcing contracts
10. Resolving insolvency
11. Employing workers
12. Contracting with government

According to (Setianto & Raharja, 2020) indicators number 1-4 relate to procedures, time and costs, and ease of doing business. A decline in Indonesia's ranking position on the EODB could occur if the business climate in Indonesia is not followed by significant government policy output in terms of business/enterprise development. The indicators namely: starting a business, enforcing contracts, trading across borders and registering property are indicators that need to be improved. The EODB criteria are used as a consideration on developing business-friendly policy in Lampung Province.

### B. Start-up Business

Pioneering business or better known as "Start-Up" has not been widely regulated in regulations in Indonesia (R. A. P. Handayani, 2019). The term "start-up" in regulations in Indonesia is interpreted as a "beginner entrepreneur" which began to be referred to in Article 3 of Presidential Regulation Number 27 of 2013 (Presidential Regulation Number 27 of 2013 concerning Development of Entrepreneur Incubator, 2013).

Start-ups are a type of business that has a high risk in achieving success, many start-ups fail in their implementation (Ries, 2011). There are several underlying reasons for the failure of a start-up to achieve success, some of which are depicted in 20 reasons as in. Based on this data, errors in defining market needs are the most common reason why a start-up fails to achieve success. This shows that even though a product initiated by a start-up has capable technology, if the market/consumers do not need it, it will be a waste. In the second top position, the reasons why start-ups fail are financial or capital factors. This condition is a common situation experienced by many businesses that are starting their business at the beginning.

### C. Business Ecosystem

A start-up business will certainly have a higher risk of failure compared to a business that is already operating and trying to develop. (Osawa & Miyazaki, 2006) shows how a start-up faces the valley of death before achieving business success. Valley of Death, according to (Natsheh et al., 2021) The initial phase of a start-up business is to commercialize and develop their business. The newest product is more successful than before because it has gone through research on market feedback and product launches within the threshold of a new company's survivability. In this process, it is very necessary to incubate the business that has just been born so that it can survive and achieve success. Business incubation itself is part of the business ecosystem.

The growth of the business ecosystem is known as the growth of the business climate in Law Number 20 of 2008

concerning MSMEs. Article 7 of the Law covers aspects of business climate development including: funding; facilities and infrastructure, business information, partnership, business licensing, business opportunities, trade promotions, and institutional support. To develop a business-friendly ecosystem in Lampung, especially for business start-up, the valley of death concept is used.

#### *D. Government Role and Policies in Supporting Business Friendliness*

The other role of government, large companies is actively developing the business climate which can be done through social responsibility. CSR or corporate social responsibility can be interpreted as a form of concern or responsibility of business entities towards the surrounding environment, both in economic, social and environmental aspects (Fauzi, 2020). The Lampung Province Government has also legalized a regulation about corporate social responsibility through regional regulation (Perda).

According to (Setiyaningrum, 2020) the research results show that the success of a business depends on marketing entrepreneurship factors, namely customer intensity and value creation. These success factors were also used as foundation on developing the role for business-friendly policies.

#### *IV. METHODOLOGY*

This research was conducted in Pringsewu Regency, Metro City, and Bandar Lampung City. Purposive random sampling is used on the way to collecting the primary data on this research. The research location was carried out purposely by considering that locations have the largest number of businesses (micro, small, and medium) in Lampung Province (BPS, 2023). The time for conducting the research is May 2021 to September 2021.

The informants/respondents of this research are informants who are related and have a background in business (SME) activities ranging from start-ups, micro businesses, and small businesses in Lampung Province as well as government representatives as policy makers in districts/cities in Lampung Province. There are 10 informants interviewed, 6 informants from the government sector, and 4 informants from the business sector.

The method used in this research is an inductive qualitative method. The data used is primary data and secondary data. Primary data was obtained from in-depth interviews with informants who were related and had a background in business (SME) activities ranging from start-ups, micro businesses and small businesses in Lampung Province as well as government representatives as policy makers in districts/cities in Lampung Province.

Secondary data consists of data related to the business ecosystem as well as legal documents related to business friendliness in Indonesia. Thirteen business related regulations are collected as secondary data and also enriched with literature data that related to research topics.

The data was analyzed using several stages of analysis, namely:

1. Legal analysis of government policies related to business activities;
2. Analysis of literature that related to business activities;
3. Primary data analysis: in-depth interviews data;
4. Legal analysis vs primary data analysis;
5. Literature analysis vs primary data analysis;
6. Testing of field results (existing conditions through descriptive qualitative) based on government policy theory regarding business;
7. Policy modeling for Lampung Province as a Business-friendly Province.

#### *V. RESULT AND DISCUSSION*

The way to build business-friendly policy is conducted through several steps that have already been mentioned in the methodology subchapter. Here are some results and discussion on how that policy is built:

##### *A. Legal and Policy analysis related to business activities*

There are 13 regulations that are related to business activities in Lampung Province, which spread to 11 national regulations and 2 regional regulations. Mind map method was used to analyze each article in that regulation. Each regulation generates keynotes that are related to research topics.

Referring to Governor and Vice Governor Lampung vision and mission, business ecosystem development are stated in the first and second mission. On the first mission, there is an agenda called "Lampung rich of festivals", which means that the Lampung Province government is building business attractions through festivals. On the second mission, the government has a target to develop a community economy based on the agricultural sector, and make the economic sector in rural areas as competitive as urban areas.

##### *B. Business Ecosystem Foundation*

Based on literature analysis through several theories, it can be formulated as a business ecosystem foundation. To build a business ecosystem, there are several concepts that should be conducted, such as: business success factors implementation, business obstacles reduction, key factors of ease of doing business, how business faces the valley of death, the role of government in supporting business, etc.

##### *C. Primary Data Analysis*

An in-depth interview to 10 informants through purposive sampling that divided into two informant categories, which is informants from government, and informants from business people. Informants from government spread from Lampung Province Government (Department of Trade-Small Medium Enterprise/SME Unit), Metro City Government (SME Department and Tax Department), Bandar Lampung City Government (SME Department), and Pringsewu Regency Government (Department of Trade). Informants from business people spread from start-up business communities until SME business actors.

In-depth interview data are analyzed then. Interview voice recordings are transcribed into text data. Coding process is the next step to analyze transcribed data. There are 19 keynotes data that arise from the coding process analysis, some of them: business initiation, business potency, business

process, business impact, business models/patterns, business replication, business ecosystem, business policy, business obstacles, business constraints, product innovation, government regional income, tax impact, tax department tasks, tax and retribution, government strategy on business sector, pandemic impact on business, consumer satisfaction, and department of tax tasks.

#### D. *Legal Analysis vs Primary Data Analysis*

This pairing process has the aim to synergize data that arise from in-depth interviews with the government regulation. This process enriches the primary data with the secondary data that arise from legal aspects. The result showed that there are several data enrichments from business initiation, business process, business models/patterns, business ecosystem, and business policy.

#### E. *Literature Analysis vs Primary Data Analysis*

Some theories that have been reviewed in this research are compiled and then paired with the in-depth interview data. The literature enrichment is the aim of this analysis step. The result strengthens the foundation of a business-friendly policy model. Success factors, obstacles, and constraints of doing business are the variables to build this model.

#### F. *Policy modeling: Lampung as Business-friendly Province*

The policy model is built by utilizing data that has been analyzed before. The model designs are conducted through a mind mapping method. There are four elements that are generated in the business-friendly policy model, those elements are: business initiation, business potency, business models/patterns, and business process. The data mind mapping generates branches of those four policy model elements. Fig 1 shows the model framework of a business-friendly policy model.

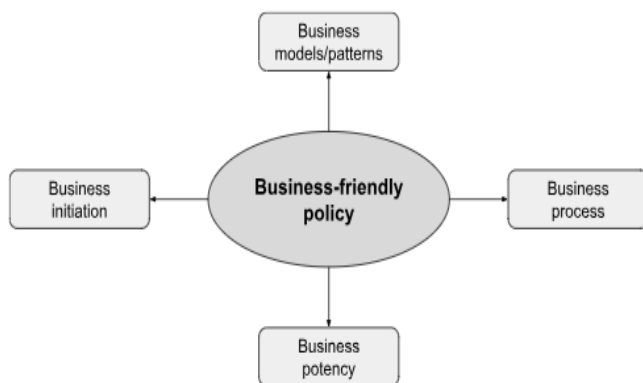


Fig 1. Business-friendly policy model

This model is the framework of business-friendly policy. Business initiation is the way how the business is started. It has two branches: internal factor and external factor. Internal factor means that to initiate a business it needs some factors that come up from business people itself, where some of them are business creativity, programs to empower community in business, and business incubation program. External factors to initiate business are infrastructure for improving business ecosystem, business capital, business literacy, and business legal. There are two branches in business potency: product factors and human resources factors. New product

creation/variation, standardization, and product control are the product factors, and people empowerment is the human resources factor. The type of business is categorized in business models/patterns. It can be individual business, micro business, small and medium business, and cooperative business. The media to run the business can be online or offline. For the market type it can be conducted through business center, niche market business, capital investment, etc. The way to run a business is described in the business process. It has six branches: business development partnership, branding, promotion, product quality assurance, consumer satisfaction, and adaptation to changes.

Element of “Business initiation” as the way to develop the ecosystem of starting a business is answering the valley of death challenge in business start-ups. It also answers the EODB criteria number 1-4 as the initiation phase of business. The element of “Business potency” strengthens the business-friendly policy model through success and constraint factors on doing business. The development of the “Business process” element is created to generate business sustainability. As mentioned in the valley of death curve, after a business reaches the peak of success, it has the possibility to stagnate or even decrease due to business competitiveness. The “Business process” element is designed to maintain a business to reach the another peak of success in their new valley of death challenge.

An integration of business-friendly policy is the key framework that can be generated in this model. The process of business initiation phase until how to maintain a business surviving the changing or disruption is drawn in this business-friendly policy model.

## VI. CONCLUSION

Business-friendly policy in Lampung Province was formulated through some analysis until it can be modeled as a business-friendly policy model. Four corners/elements of a business-friendly policy model are the framework of this model. Started with how to create a business start-up ecosystem in business initiation, understanding business potency, choosing business model/pattern, and arranging business processes. This model framework has been validated with the development plan of Lampung Province Government. All of the branches in the four corners of the business-friendly policy model can be used for the government to build their business-friendly policy.

This study challenges the scientific literature on the integration of business-friendly policies, from initiation phase until business sustainability concerns. A comprehensive framework of business-friendly policies can be used for the government to develop their policies in the entrepreneurship sector. But, this study has limitations, it's only seen in the policy level, and did not see into the detail and the micro level of business sectors. Future research is needed to understand how a business initiated and survived on the micro level. Through that research, a broader understanding of business-friendly policies can be improved more and more better.

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