Al-Kharaj: Journal of Islamic Economic and Business
Volume 8 (2), 2026
P-ISSN: 2686-262X; E-ISSN: 2685-9300

Investment Climate Development Strategy for North Maluku Economic Growth

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Keywords:
Investment Climate, Economic Growth, Development Strategy, North Maluku

Abstract
This study aims to analyse and examine strategies for developing the business climate and investment in order to spur economic growth in North Maluku Province. The research method employed is a quantitative descriptive approach to formulate regional policy strategies. Secondary data consists of macroeconomic time-series data. The data was then analysed using the Analytical Hierarchy Process (AHP). The results indicate that the respondents' preferences are valid and consistent, with an inconsistency ratio (CR) below the threshold (CR < 0.100). The main criteria prioritised for business climate development, in descending order, are Security (0.214), Investment (0.144), Public Services (0.107) and Licensing (0.103). At the sub-criterion level, security costs have the highest priority weighting (0.425); the electricity supply aspect shows a downward trend (0.199); barriers to business access are dominated by distribution and labour issues (0.193 each); and licensing requirements are still rated as poor (0.163).

INTRODUCTION

The business climate is inextricably linked to government policy, the political situation and a number of other factors, whether directly or indirectly. Many experts argue that improvements to the business climate drive economic growth and reduce poverty. However, not all of these measures are implemented effectively by the relevant parties (Hidayat 2009).

A conducive business climate is one that encourages people to invest at the lowest possible cost and risk, whilst generating high long-term returns. An ideal business climate provides opportunities for companies—ranging from micro-enterprises to multinationals and private firms—to grow and invest productively, creating jobs and expanding (Tambunan 2006).

In Indonesia, numerous organisations have assessed competitiveness and the business or investment climate, using a variety of criteria and indicators. The annual reports presented show that competitiveness, the business climate and the investment climate in Indonesia are consistently declining (when compared with other countries).

A study conducted by the WEF (World Economic Forum) measures Indonesia's competitiveness using five significant factors: three at the macro level and two at the micro level. At the macro level, these include: (1) unfavourable macroeconomic conditions; (2) the poor quality of public institutions in carrying out their functions as facilitators and service centres; and (3) weak technology development policies in facilitating the need for increased productivity. Meanwhile, at the micro level, these include: (1) low business efficiency at the operational level of companies; and (2) a weak business competitive climate. (Perindustrian, K. 2018).

Improving the investment climate is a key task for every local government. The government must therefore continue to promote economic growth through investment underpinned by high productivity. Investment will bolster economic growth by providing inputs for the production process.

The growth in North Maluku's competitiveness is still evident in the mining sector, the processing industry, and the accommodation, catering and financial services sectors; however, other sectors have experienced a decline in competitiveness: (1) the agricultural sector, (2) the construction sector, (3) the transport sector, (4) the public administration sector and (5) the education services sector. There are several sectors where a decline has hindered improvements to the investment climate in North Maluku province.

This decline in competitiveness is closely linked to the slow pace of improvement in the business climate. In general, efforts to improve the business climate need to focus on reducing the constraints that hinder trade and investment performance, including the high economic costs borne by the business sector, which reduce the competitiveness of Indonesian products, and the decline in investment linked to an unfavourable business climate, such as macroeconomic instability, policy uncertainty, and corruption, collusion and nepotism.

Furthermore, the inadequacy of the legal framework and the overlap of regulations between the central and regional governments have also contributed to the unfavourable business climate. Among the sectors identified in this study are those that lack a favourable investment climate and are underdeveloped in North Maluku Province, namely the extractive and non-extractive industries. This study also examines investment levels in the regencies and cities of North Maluku Province. The aim of this study is to analyse and examine strategies for developing the business climate in North Maluku Province.

METHODS

This study employs a quantitative descriptive approach, focusing on the formulation of policy strategies. This approach was chosen to evaluate the current state of the investment climate and formulate development strategies to spur economic growth in North Maluku Province. The subjects and objects of this study were deliberately selected based on data requirements: Secondary Data: Macroeconomic data in the form of time series on investment realisation (foreign direct investment/domestic investment) and the economic growth rate of North Maluku Province. Primary Data: Determined using purposive sampling techniques. Key informants comprised policy-makers at the North Maluku Investment and One-Stop Integrated Service Agency

(DPMPTSP), the Regional Development Planning Agency (Bappeda), business representatives (Kadin/HIPMI), and local economics academics.

Data collection was carried out through two main channels: Document-based research: Downloading and recording data from official publications by the Central Statistics Agency (BPS) and the annual reports of the North Maluku Investment and One-Stop Service Agency (DPMPTSP).

In-depth Interviews and Questionnaires: Used to gather the views of experts and key informants on the strengths, weaknesses, opportunities and threats to the regional investment climate.

The data collected was analysed using a two-stage analysis process: Descriptive Economic Analysis: Used to map trends in investment performance and regional economic growth, both visually and in tabular form.

***Analytical Hierarchy Process* (AHP)**

is a technique for making comprehensive decisions due to its multi-attribute nature, which addresses complex issues from both qualitative and quantitative perspectives. The Analytical Hierarchy Process (AHP) was first developed by Thomas L. Saaty, a mathematician, in the 1970s. The Analytical Hierarchy Process (AHP) has been widely used for multi-criteria decision-making, planning, resource allocation and the prioritisation of strategies within regional development policy. (Muta'ali, 2015).

To analyse policy strategies aimed at improving the business climate in North Maluku Province. In the Analytical Hierarchy Process (AHP) method, there are three principles for problem-solving and determining decision alternatives, namely: 1) establishing a hierarchy, 2) setting priorities, and 3) ensuring logical consistency.

RESULTS AND DISCUSSION

3.1. Inconsistency Value

The inconsistency value will be recalculated if it is found that the resulting inconsistency value ranges from 0.494 to 0.494, indicating that this value is below the required inconsistency threshold of 0.100; it can therefore be concluded that the respondents' preferences are consistent because CR < 0.100. This indicates that the calculations carried out have met the consistency criteria; therefore, the calculations do not need to be repeated or revised. As shown in the table below, these are the results of the North Maluku Investment Industry Business Climate test for the inconsistency value, using the AHP application

Table 1. Inconsistency Index for the Investment Climate in North Maluku's Industrial Sector

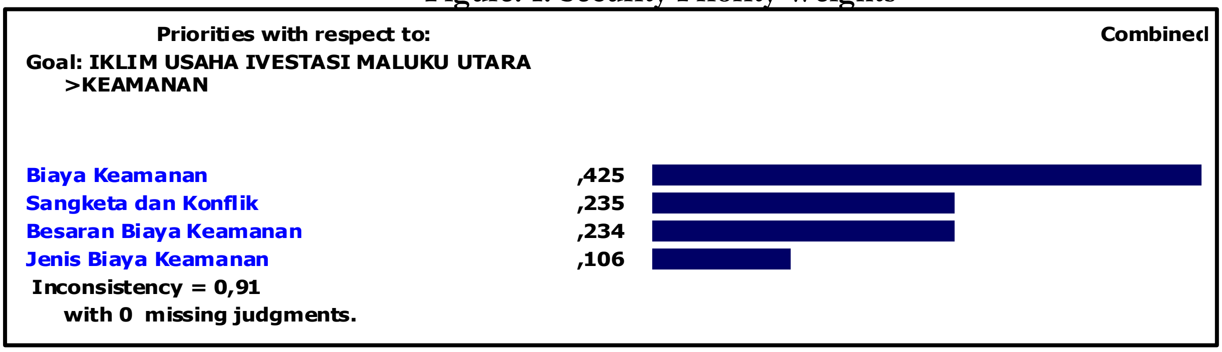
Comparison Matrix	
Comparison Matrix of Business Climate Criteria for Investment in North Maluku	**0,17**
Security	0,214
Investment	0,144
Public Services	0,107
Licensing	0,103
Labour Regulations	0,09
Foreign Direct Investment (FDI)	0,09
Domestic Investment (PMDN)	0,058
Business Access	0,058
Taxation	0,055
Industrial Growth	0,028
Economic Sectors	0,027
Land	0,026

3.2. Safety Criteria Indicators

Results of the Assessment of Safety Criteria Indicators

Based on data collected regarding the perceptions of business operators in the regencies and cities of North Maluku, the assessment results relating to the 'Security' criterion for the investment climate in North Maluku are as shown in the following figure:

Figure: 1. Security Priority Weights



Sumber: Data diolah,2026

An assessment of the security criteria in the figure shows that, in the regencies and cities of North Maluku, the sub-criterion of 'Security Costs' achieved a very good score of 0.425, whilst 'Disputes and Conflicts' scored 0.235; this is because disputes and conflicts are resolved and addressed as quickly as possible. This also applies to the 'Magnitude of Security Costs' sub-criterion, with a score of 0.243. For the 'Type of Security Costs' sub-criterion, the score is 0.106;

this type of security cost shows a significant downward trend, as securing the region requires expenditure to ensure that the regencies and cities of North Maluku remain safe and peaceful.

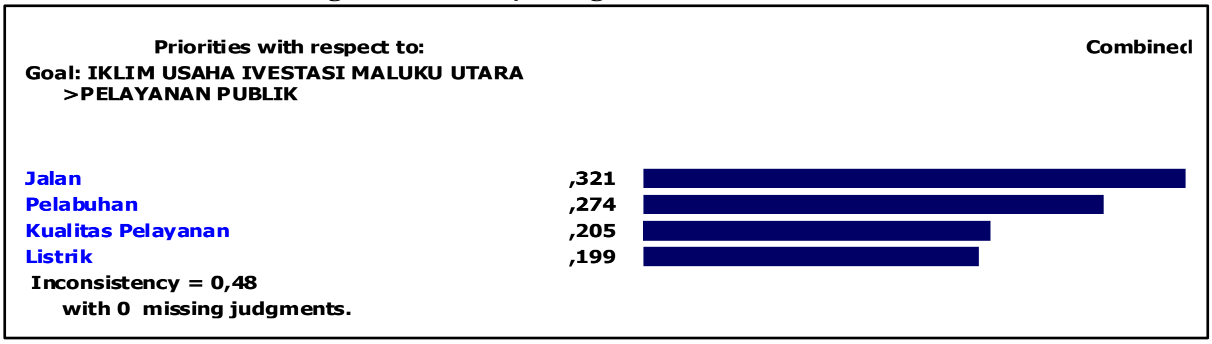
In North Maluku's regencies and municipalities, the security situation falls into the 'moderate' category; attention should therefore be paid to increasing security expenditure in order to provide a sense of safety and peace of mind for investors and business operators in the regencies and municipalities of North Maluku.

3.3. Public Service Criteria Indicators

Research Findings on Public Service Criteria

The results of the research into the measurement of public service criteria can be seen in the following priority measurement chart:

Figure 2: Priority Weights for Public Services.



Source: Processed data, 2026

The results of the study on these priority criteria indicate that the overall performance is quite good, with an inconsistency value of 0.48; the priority criteria of roads, ports, service quality and electricity show a better state, although service levels under the electricity criterion are showing a downward trend.

The scores for road infrastructure are 0.321, for ports 0.274, for service quality 0.205 and for electricity 0.199; therefore, the areas of public service that need to be improved in the future are service quality and electricity, in order to foster a favourable business climate in the regencies and cities of North Maluku Province.

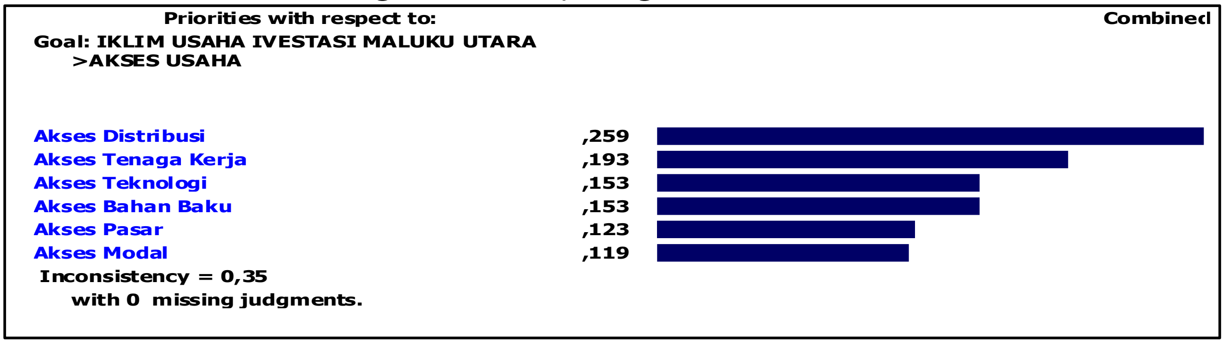
3.4. Business Access Criteria Indicators

North Maluku is an archipelagic region, with 89 per cent of its total area comprising sea; business development at regency and city level. North Maluku is seeing growth in various types of business, but faces obstacles relating to distribution, raw materials, market development in relation to distribution, and access to capital.

Results of the Business Access Criteria Assessmen

The results of the assessment of business access in the regencies and municipalities of North Maluku Province, based on field observations, and the results of the assessment of priority criteria are shown in the figure below:

Figure 3: Priority Weights for Business Access



Source: Processed data, 2026.

The findings indicate that, of all the priority criteria for business access measured across the regencies and municipalities of North Maluku Province, the highest average scores were recorded for distribution access, labour access, technology access, raw material access, market access and capital access; whilst the overall performance was fairly good, the trends for these five areas point towards conditions that are less favourable or not yet satisfactory.

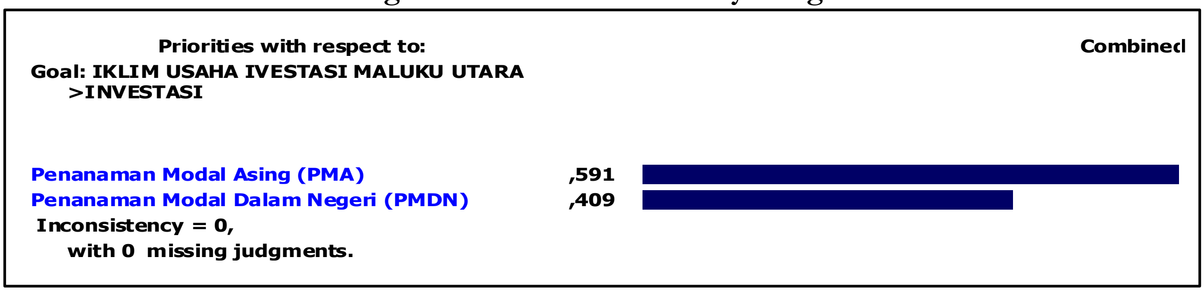
The priority rating for business access, based on the inconsistency index, is 0.35. For the distribution access criterion, it is 0.193; for labour access, 0.193; for technology access, 0.153; for market access, 0.123; and for capital access, 0.119. Consequently, policies must be implemented to improve business access so that production levels can be increased.

3.5. Investment Criteria Indicators

1. Results of the Assessment of Investment Priority Criteria

The measurement parameters for investment priority criteria provide an insight into the investment climate in the regencies and cities of North Maluku Province; foreign direct investment (FDI) and domestic direct investment (DDI) are very strong, as can be seen from the development of investment in North Maluku.

Figure 4: Investment Priority Weights



Source: Processed data, 2026

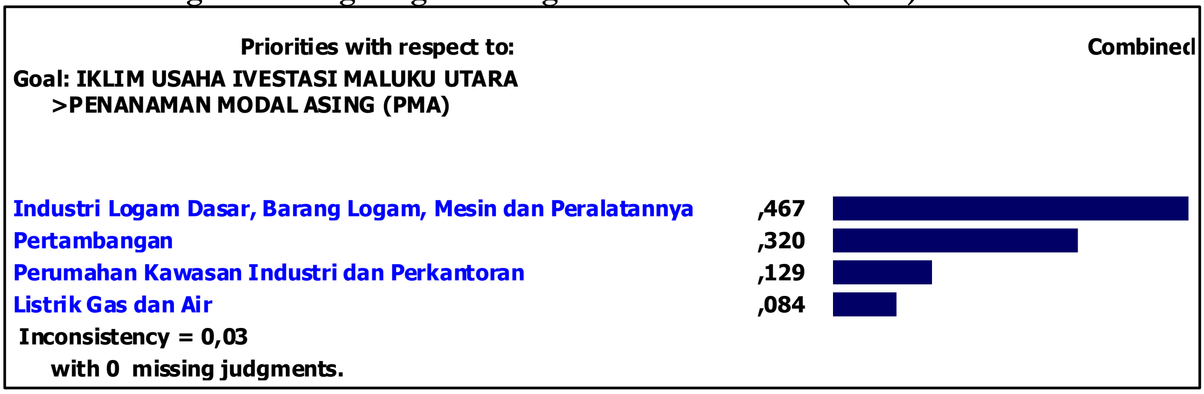
The results of the study on priority criteria for foreign direct investment (FDI) fell into the 'good' category with a score of 0.591, whilst for domestic investment (PMDN) the score was 0.509.

3.6. Indicators for Foreign Direct Investment (FDI) Criteria

Results of the Assessment of Priority Criteria for Foreign Direct Investment (FDI)

Based on perceptions and facts on the ground in the regencies and cities of North Maluku Province, the results of the assessment of the foreign direct investment (FDI) indicator criteria are shown in the figure below:

Figure 5: Weighting of Foreign Direct Investment (FDI) Priorities



Source: Processed data, 2026

The assessment of priority criteria for foreign direct investment (FDI) has yielded a 'very good' rating in the sectors of base metals, metal products, machinery and equipment, mining, housing, industrial estates and office complexes; however, in the electricity, gas and water sector, the rating is 'very poor' with regard to foreign direct investment.

The results of the assessment of priority criteria for foreign direct investment (FDI) in North Maluku Province, at regency and city level, are categorised as 'very good'. This necessitates improvements in security and services to attract future foreign investment in North Maluku Province, in order to manage the natural resources of the regencies and cities, which require very substantial expenditure.

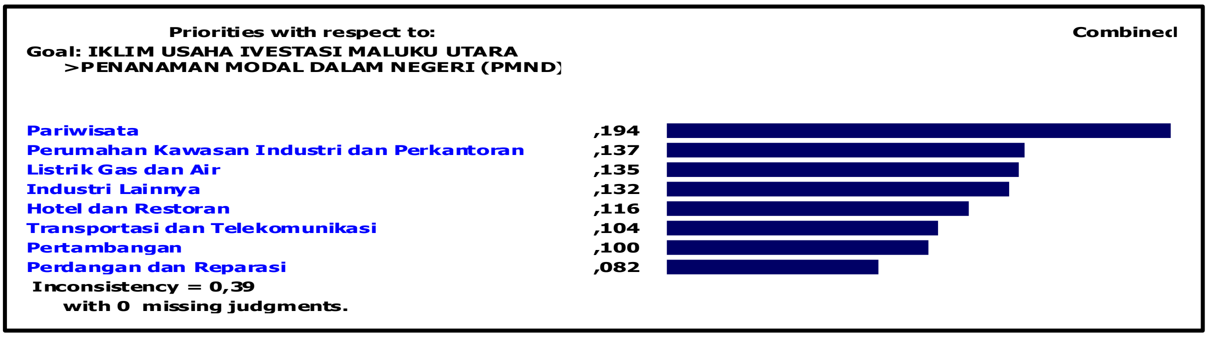
3.7. Indicators for Domestic Investment (PMDN) Criteria

Results of the Assessment of Priority Criteria for Domestic Investment (PMDN)

The results of the assessment of the criteria for measuring domestic investment (PMDN), as shown in the figure below:

The figure shows the results of the assessment of the criteria for domestic investment (PMDN) in Maluku Province; the regencies and cities have scored very well, with the exception of the 'trade and repairs' criterion, which is in a very poor state and does not yet meet the required standards.

Figure 6: Weighting of Domestic Investment (PMDN))



Source: Processed data, 2026

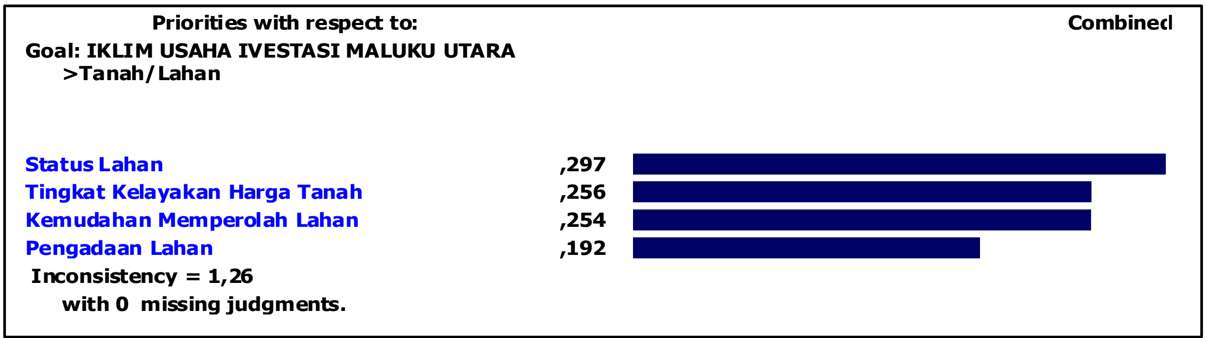
An assessment of the priority criteria for domestic investment (PMDN) indicates that tourism, housing, industrial estates and office complexes, electricity, gas and water, other industries, hotels and restaurants, transport and telecommunications, and mining all score equally well and are rated as 'fairly good'; this is partly due to local entrepreneurs recognising investment opportunities in the regencies and cities of North Maluku Province.

3.8. Soil and Land Criteria Indicators

1. Results of the Soil/Land Criteria Assessment.

Based on the above field findings, as well as the perceptions of business operators in the regencies and municipalities of North Maluku Province, the results of the assessment of the land/plot indicator criteria are presented in the following figure:

Figure 7: Land Priority Weightings



Source: Processed data, 2026

An assessment of the priority criteria indicates that, based on the perceptions of business operators, land conditions in the regencies and municipalities of North Maluku are relatively good; however, the rising cost of land warrants attention. These conditions have a positive impact on the ease of acquiring land and the clarity of land status, both of which are relatively good.

The results of the assessment of these indicator criteria are very good: land status has a value of 0.297; the level of land price affordability has a weighting of 0.256; the ease of acquiring land has a value of 0.254; and land procurement has a value of 0.192.

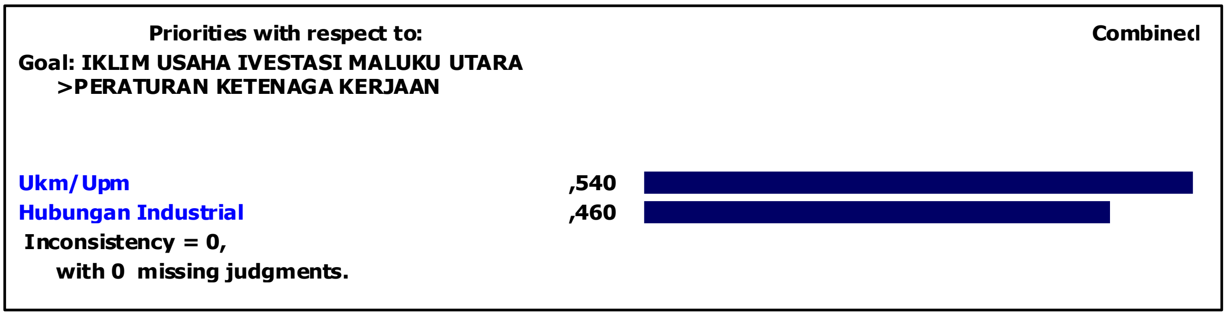
3. 9. Indicators and Criteria for Labour Regulations

The UKM/UMP for North Maluku stands at Rp 2,862,231. Meanwhile, Maluku has the lowest UKM/UMP in the Maluku-Papua region, at Rp 2,618,312. Developments in industrial relations have led to many workers being employed in the mining sector, whilst district and city local governments are forging partnerships to develop industry in North Maluku across their respective districts and cities.

1. Results of the Assessment of Labour Regulations Criteria

The results of the assessment of the criteria and indicators for labour regulations in the regencies and municipalities of North Maluku Province are as shown in the figure below:

Figure 8: Priority Weights for Labour Regulations



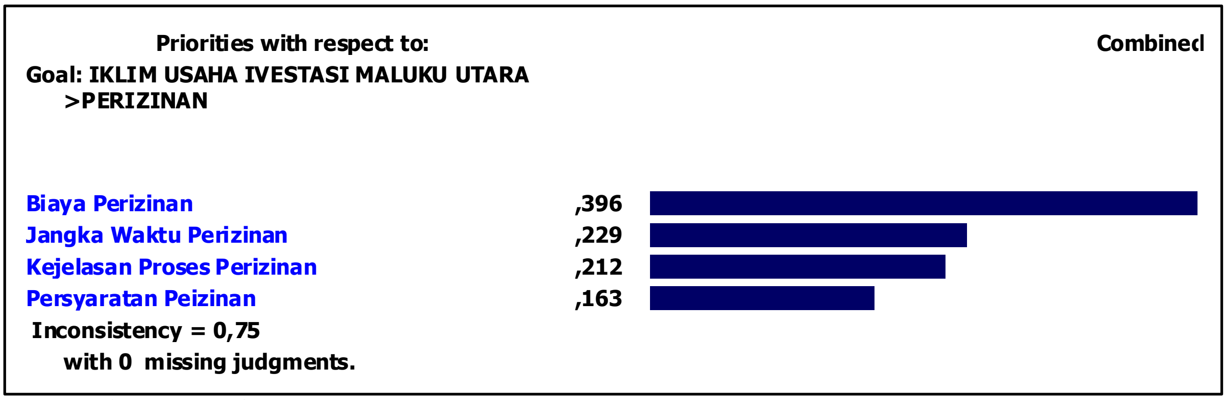
Source: Processed data, 2026

The results of the assessment of the above indicator criteria show that the situation falls within the 'good' category. Both indicator criteria—measuring industrial relations and those relating to SMEs/micro-enterprises—were assessed in accordance with the regulations in force in North Maluku Province. The assessment result for industrial relations had a criterion weighting of 0.460, whilst the assessment result for SMEs/micro-enterprises was 0.540.

3.10. Licensing Criteria Indicators

Based on perceptions and field data regarding the licensing indicator criteria, the results are shown in the following figure:

Figure 9: Priority Weights for Licensing



Sumber: Data diolah,2026

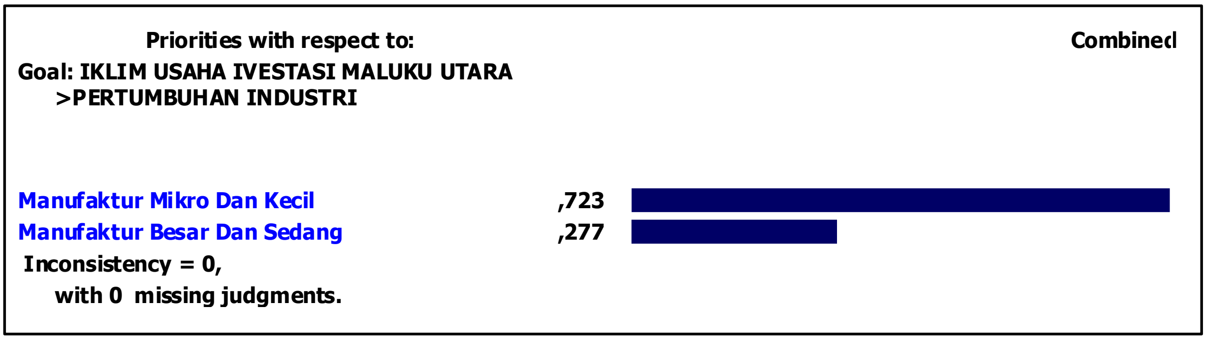
The assessment results for this licensing priority, relating to the measurement of criteria indicators, show 'very good' ratings for licensing costs, licensing timeframes and the clarity of business establishment licensing; however, in the assessment of licensing requirements, the perception ratings indicate a less favourable trend.

The assessment results correspond to the scores for the assessment criteria indicators: the perception score for licensing costs is 0.396, for processing time it is 0.229, for clarity of the licensing process it is 0.229, and for licensing requirements it is 0.163. Therefore, improvements to licensing requirements are necessary to facilitate business licensing.

3.11. Indicators and Criteria for Growth in the Industrial Sector

The results of the assessment of industrial growth criteria for the regencies and municipalities of North Maluku can be seen in the assessment chart below:

Figure: 10. Priority Weights for Industrial Growth



Source: Processed data, 2026

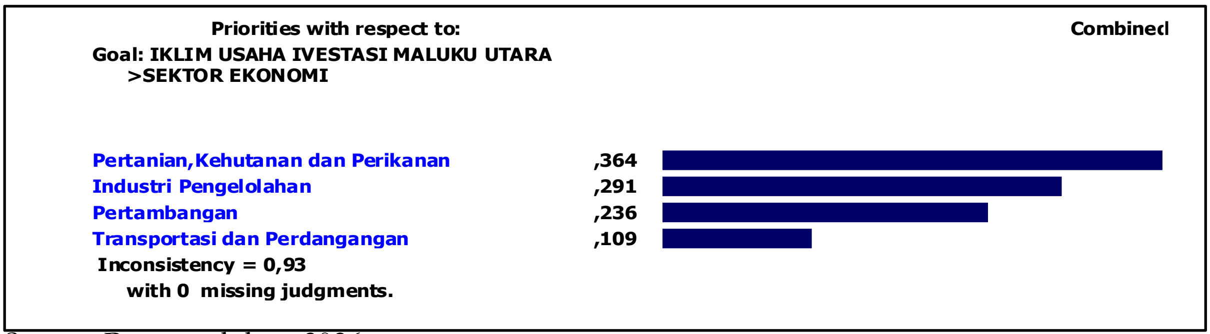
The results of the assessment of priority criteria for industrial growth show fairly good weighting scores; this can be seen in the weighting criteria for micro and small-scale manufacturing, which have fairly good scores, whilst large and medium-scale manufacturing have very good weighting scores.

3.12. Economic Sector Criteria Indicators

The assessment results for this overview indicate that the priority criteria in these economic sectors are rated fairly well; these include the agriculture, forestry and fisheries sectors, the manufacturing sector and the mining sector. Meanwhile, for the transport and trade sectors, the trend is positive but is heading towards a poor condition, meaning that improvements to transport service facilities are required.

The results of the assessment of these priority criteria are as follows: the agriculture, forestry and fisheries sector has a score of 0.364; the manufacturing sector has a score of 0.291; the mining sector has a score of 0.236 (average); whilst the transport and trade sector has a score of 0.109.

Figure: 11. Priority Weights for Economic Sectors.

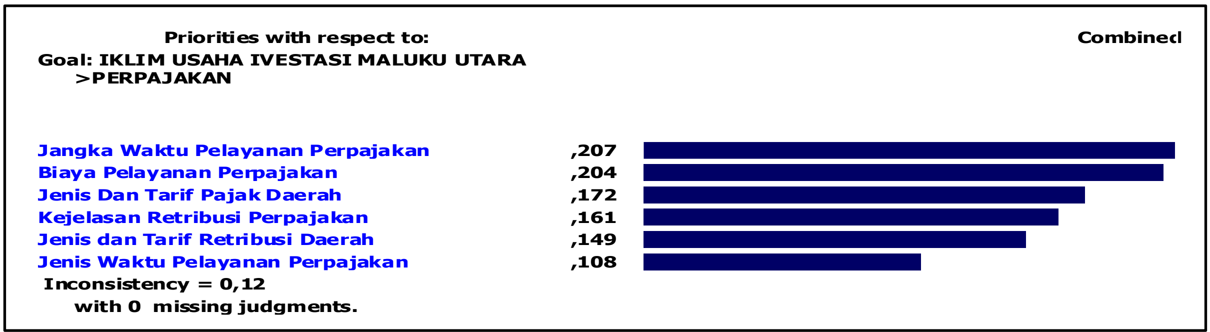


Source: Processed data, 2026

3. 13. Taxation Criteria Indicators

The assessment of taxation criteria for regencies and municipalities in North Maluku can be seen in the following figure

Figure 12: Tax Priority Weights



Source: Processed data, 2026.

The assessment results for the priority indicator criteria showed 'very good' ratings for the duration of tax services and the cost of tax services; however, the ratings for the types and rates of tax levies, the clarity of tax levies, the types and rates of local government levies, and the duration of tax services were rated as 'nearly poor' in the implementation of licensing procedures in the regencies and cities of North Maluku.

CONCLUSION

The results of the analysis, which incorporated twelve weighted indicators of the investment business climate in North Maluku, show that there is significant scope for improvement across these indicators. All indicators scored highly, providing a strong basis for recommendations to improve the investment business climate in North Maluku.

There are twelve indicators for the development of the investment climate in North Maluku which have very high scores, namely: security, investment, public services, licensing, labour regulations, foreign direct investment (FDI), domestic direct investment (DDI) and business access,

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