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Editorial Office: Faculty of Law, Sriwijaya University
Jalan Srijaya Negara, Palembang, South Sumatra 30139, Indonesia.
Phone: +62711-580063Fax: +62711-581179
E-mail: sriwijayalawreview@unsri.ac.id| sriwijayalawreview@gmail.com
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The Nature of Licensing Centralisation under the Job Creation Law in Indonesia: Consequences of Regional Autonomy and Fiscal Capacity

Iskatrinah,[a*] Hariyanto,[b] Esti Ningrum,[a] M Gholibudin Zuhaermanto[a]

[a] *Faculty of Law, Wijayakusuma Purwokerto University, Indonesia. Corresponding author Iskatrinah, e-mail: katriiskatrinah@gmail.com*
[b] *Faculty of Sharia, Universitas Islam Negeri Profesor Kiai Haji Saifuddin Zuhri Purwokerto, Indonesia. E-mail: hariyanto@uinsaizu.ac.id*

Article

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Abstract

This article discusses the constitutionality and implications of concentrating licensing authority into a single state control, following Indonesia's Job Creation Law. Created primarily to simplify business licensing processes through the Online Single Submission Risk-Based Approach (OSS-RBA), the reform also transfers considerable authority over many aspects of licensing from regional governments to the national level. The ensuing study, therefore, questions whether this transformation is consistent with the Constitution's promise of regional self-determination–and how it will affect regional fiscal capacity. Using a doctrinal legal approach and a quantitative comparative fiscal panel design, the article examines the 1945 Constitution (as amended), the Job Creation Law, Regional Governance Law No. 23 of 2014, relevant Constitutional Court decisions, and PAD data for all 38 Indonesian provinces for 2023–2025. These results imply a conceptual and doctrinal tension: licensing centralisation takes regional responsibility nearly beyond the regional sphere of authority. At the aggregate level, empirical results showed that provincial PAD rose between 2023 and 2025. In Papua and West Papua, meanwhile, the declines look at least as plausibly attributable to the 2022 redistricting of Papua as to the centralisation of licensing. The regional response, as noted in the Cilacap vignette, also varies across contexts depending on fiscal pressure in local areas. In the end, the piece holds that licensing centralisation is not solely an administrative enhancement but rather a constitutional issue that calls for regulatory harmonisation, meaningful local participatory development, and appropriate financial safeguards in Indonesia.

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INTRODUCTION

Since the Job Creation Law came into effect, the interaction between central and regional governments in Indonesia has changed dramatically, particularly through the authority-level licensing monopoly under the Online Single Submission Risk-Based Approach (OSS-RBA)

system.[1] This reform reassigns key regulatory powers previously exercised by regional governments to the national government. Such a transfer in a unitary state is not per se unconstitutional. Nevertheless, when it concerns the substance of regional autonomy that is guaranteed by Articles 18, 18A, and 18B of the 1945 Constitution, it has constitutional public importance.[2] Briefly, rather than whether licensing procedures can be simplified, the more relevant question is how far the central government may appropriately reform regional licensing authority without constitutionally undermining decentralisation.[3]

Normatively, the 1945 Constitution views regional autonomy as an instrument for the distribution of Indonesian constitutional power. Regional government should use the principle of the widest possible autonomy, as provided by Article 18(2) and Article 18(5), in their self-governance. At the same time, Article 18A seeks, in more specific terms, that relations between central and regional governments reflect decentralisation, regional diversity, and financial equilibrium.[4] Under this constitutional framework, licensing is not only an administrative tool for investment services.[5] It is also a legal conduit through which regional governments perform local regulation, direct development, and provide Regional Own-Source Revenue (*Pendapatan Asli Daerah*/PAD).[6] To fulfil this principle, licensing reform should be national in terms of regulatory efficiency, but regionally balanced by constitutional requirements to maintain regional capacity (or convergence) of power over local concerns.

However, empirically, a substantial portion of licensing authority has been concentrated at the national level through OSS-RBA as governed by the Job Creation Law and its implementing regulations. Based on Decision No. 91/PUU-XVIII/2020 and followed by Decision No. 168/PUU-XXI/2023, the Job Creation Law remains in force–both factually as per a formal review by the Constitutional Court and substantively after a further court examination of its legal justification.[7] However, this gave rise to another doctrinal problem: what limits on licensing authority can be revoked from regions without contravening Article 18 of the 1945 Constitution, which guarantees local government autonomy.[8] It produces a constitutional puzzle that is both simple and profound: What constitutes proper national coordination in a unitary state, and what

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1 Petra Mahy, "Indonesia's Omnibus Law on Job Creation: Legal Hierarchy and Responses to Judicial Review in the Labour Cluster of Amendments," *Asian Journal of Comparative Law* 17, no. 1 (2022); Nunik Nurhayati et al., "Legal Certainty of The Positive Fictive Policy In Business Licensing Through The Online Single Submission Risk-Based Approach System In Indonesia," *Jurnal Ius Constituendum* 10, no. 2 (June 2025): 224–41, https://doi.org/10.26623/JIC.V10I2.12009.

2 Jimly Asshiddiqie, *Pokok-Pokok Hukum Tata Negara Indonesia Pasca Reformasi* (Jakarta: Buana Ilmu, 2007); Huda Ni`matul, *Otonomi Daerah: Filosofi, Sejarah Perkembangan Dan Problematika* (Yogyakarta: Pustaka Pelajar, 2014).

3 Mahy, "Indonesia's Omnibus Law on Job Creation: Legal Hierarchy and Responses to Judicial Review in the Labour Cluster of Amendments."

4 "The 1945 Constitution of the Republic of Indonesia, Arts. 18(2), 18(5), 18A, and 18B" (n.d.).

5 Hartati Hartati and Zainal Amin Ayub, "Jurisdictional Disputes between Central and Local Governments in the Management of Coal Mining," *Sriwijaya Law Review* 8, no. 2 (July 2024): 269–85, https://doi.org/10.28946/SLREV.VOL8.ISS2.3003.PP269-285.

6 Blane D. Lewis, "Indonesia's New Fiscal Decentralisation Law: A Critical Assessment," *Bulletin of Indonesian Economic Studies* 59, no. 1 (January 2023): 1–28, https://doi.org/10.1080/00074918.2023.2180838.

7 Siti Kunarti et al., "The Legal Politics of Outsourcing and Its Implication for the Protection of Workers in Indonesia," *Sriwijaya Law Review* 8, no. 1 (January 2024): 1, https://doi.org/10.28946/slrev.Vol8.Iss1.2750.pp1-19.

8 Mahy, "Indonesia's Omnibus Law on Job Creation: Legal Hierarchy and Responses to Judicial Review in the Labour Cluster of Amendments."

crosses the line into excessive recentralization or outright destruction of regional self-government?

The fact that this uncertainty exists argues the case for a genuine legal gap. Its widening gap is not simply related to administrative coordination or implementation issues. This issue revolves around the tension between the centralisation of licensing under the Job Creation Law and the regional autonomy mandated by the Constitution.[9] The principal forms are: regulatory dualism between the Job Creation Law and Law No. 23 of 2014 concerning Regional Government, uncertainty in delineating concurrent governmental affairs, diminishing regional autonomy in licensing governance and a structure supporting the implementation of autonomy.[10] Why is this important? Because regional autonomy requires not just legal recognition, but also sufficient power and financial resources for local governance.

Previous scholarship has frequently analysed these issues in isolation. When it has been considered–because mostly the scholarship sees licensing as a "cluster" rather than an aspect of the Job Creation Law–it is from a constitutional and regulatory perspective; or a broader response to regressions in judicial review, e.g., relating to labour; or into broader questions of design (omnibus law); hierarchically.[11] Political-administrative research portrays implementation challenges, institutional fragmentation and conditional regional responses, but does not always connect these observations to the underlying conflict over authority sharing, particularly between the national and local levels.[12] Fiscal studies have examined regional revenue, the extent of transfer dependence, and the political consequences of fiscal decentralisation, but have not examined their implications for constitutional legitimacy regarding licensing recentralization.[13] What is, as yet, lacking is a study that focuses on the doctrinal debate between centralised licensing and decentralised control of resources, providing systematic empirical evidence across provinces on their real fiscal implications.

This study addresses three research questions based on the legal and research gaps discussed above. First, how does licensing centralisation put the distribution of licensing authority between the central and regional governments on different footing within Indonesia's unitary-state framework? Second, how far does the OSS-RBA licensing regime create a doctrinal paradox with the constitutional assurance of regional autonomy as guaranteed in Articles 18, 18A, and 18B of the 1945 Constitution and amply governed at the legislative level by Law No. 23 of 2014 concerning Regional Government? The third question concerns the fiscal implications of licensing centralisation for regional autonomy, as indicated in the 38-province PAD record for 2023–2025: how much does it constrain regional fiscal capacity and revenue composition?

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[9] Kadar Pamuji et al., "Understanding the Legal Politics of Regional Tax Regulations: Navigating Regional Autonomy in Post-Tax Reform in Indonesia," *Volksgeist: Jurnal Ilmu Hukum Dan Konstitusi*, no. 2 (November 29, 2025): 503–20, https://doi.org/10.24090/VOLKSGEIST.V8I2.12341.

[10] Jeffrey Steven Gordon, "Comparative Judicial Federalism," *International Journal of Constitutional Law* 21, no. 4 (December 2023): 976–1010, https://doi.org/10.1093/ICON/MOAD081.

[11] Hariyanto, "Hubungan Kewenangan Antara Pemerintah Pusat Dan Pemerintah Daerah Berdasarkan Negara Kesatuan Republik Indonesia," *Volksgeist* 3, no. 2 (2020): 99–115, https://doi.org/10.24090/volksgeist.v3i2.4184.

[12] Harry Aginta, Anang Budi Gunawan, and Carlos Mendez, "Regional Income Disparities and Convergence Clubs in Indonesia: New District-Level Evidence," *Journal of the Asia Pacific Economy* 28, no. 1 (2023): 101–32, https://doi.org/10.1080/13547860.2020.1868107.

[13] Melani Darman and Indah Riyanti, "Effectiveness of Regional Government Authority Regarding Mining Business Permits Post Presidential Decree Number 55 of 2022 Concerning Mineral and Coal Mining Management," *Journal of Law Science* 6, no. 3 (July 2024): 407–13, https://doi.org/10.35335/JLS.V6I3.5235.

The study employs a sequential mixed-methods research design: it uses doctrinal analysis of the constitutional and statutory basis, together with a quantitative fiscal analysis of PAD across all provincial tier 1 regions in Indonesia, to address these questions. Its novelty derives from treating the legal gap itself as the subject of analysis–not just the backdrop–and applying systematic national data to test its fiscal dimension. Through its interplay of constitutional analysis, licensing governance, and fiscal evidence, this article seeks to reconstruct central–regional relations in Indonesia as a new legal framework to better balance national licensing efficiency with the constitutionally mandated decentralisation governed by the principle of regional autonomy.[14]

RESEARCH METHOD

This study combines two methods operationally. It employs doctrinal (normative) legal research, specifically analysing the 1945 Constitution (Articles 18, 18A, 18B), Job Creation Law together with its implementing regulations (Law No. 23 of 2014 on Regional Government), and Constitutional Court Decisions Number 91/PUU-XVIII/2020[15] and Number 168/PUU-XXI/2023[16] as primary sources of law. Using both statutory and conceptual analysis, this technique precisely delineates the scope of work for the reallocation of licensing authority and tests that scope within the context of the Article 18 autonomy guarantee.[17] Second, by employing an empirical quantitative procedure that assesses secondary panel data on Regional Own-Source Revenue (PAD), it tests whether and to what extent the fiscal record aligns with doctrinal worries raised in strategy-influenced information presented as follows. The integration of the two methods is achieved by considering the fiscal findings as evidence within a doctrinal argument, rather than as an independent policy analysis. In other words, every fiscal pattern present in the data is traced back into the constitutional framework to assess what this means for the legal-gap question posed in the Introduction.

The empirical part employs a quantitative comparative design, utilising PAD realisation data from all 38 provinces across Indonesia for years 2023 and 2024, alongside the provincial budget target for 2025. Secondary data were taken from official government reports: DJPK, Ministry of Finance, IDH–Financial Statistics of Provincial Government (BPS–Statistics Indonesia). Keep in mind that the 2025 figures are targets and not final audited realisations; this is noted as a fiscal analysis limitation further down. The study draws on data from all provinces, rather than from a single location, so that the analyses account for cross-regional variation in how aspects of licensing centralisation under the Job Creation Law align with regional fiscal trends, rather than generalising from one district's experience.

A methodological caveat is necessary to address confounding variables. On top of this, in 2020–2021, the economic shock triggered by the COVID-19 pandemic coincided with the implementation of the Job Creation Law and led to significant PAD contraction across several regions. Beginning the panel in those years, however, risks obscuring any revenue loss tied to

[14] D R Nurrochmat, H Siregar, et al., "Transformation of Agro-Forest Management Policy under the Dynamic Circumstances of a Two-Decade Regional Autonomy in Indonesia," *Forests* 12, no. 4 (2021): 419, https://doi.org/10.3390/f12040419.

[15] "Constitutional Court of the Republic of Indonesia, Decision Number 91/PUU-XVIII/2020" (n.d.).

[16] "Constitutional Court of the Republic of Indonesia, Decision Number 168/PUU-XXI/2023" (n.d.).

[17] Sri Wahyu Kridasakti et al., "The Legitimacy Crisis of Customary Villages Under Indonesia's Village Law," *Sriwijaya Law Review* 9, no. 2 (July 2025): 432–56, https://doi.org/10.28946/SLREV.V9I2.3998.

the pandemic by conflating it with the impact of licensing centralisation. To sidestep that particular confound, this analysis is conducted on a 2023–2025 panel spanning a period of universal post-pandemic fiscal recovery, during which any residual deterioration is unlikely to be anything other than an artefact of the pandemic. Still, not all confounds disappear. This is especially true because, in parallel with the implementation of Law No. 1 of 2022 on Financial Relations between the Central and Regional Governments (UU HKPD), which extended regional taxing power. The study considers this policy an alternative explanation for the aggregate PAD growth described in detail below because, rather than assuming that licensing centralisation is automatically responsible, it is plausible that the policy actually contributes to aggregate PAD growth.

Since the dataset records total PAD rather than the licensing-fee component separately, the analysis cannot disentangle a clear, isolated "licensing effect" from other influences that might also propel PAD growth, such as local tax-base expansion after Law No. 1 of 2022 on Financial Relations between the Central and Regional Governments (UU HKPD).[18] To be clear, it is a limited restriction we impose: the fiscal analysis to follow intends to speak broadly to regional revenue resilience and basic composition issues rather than to deduce directly and quantify the effect magnitude from licensing-only centralisation. The study compares PAD growth numerically across provinces for 2023–2024 and 2024–2025 to identify patterns of decline, stagnation, or growth in provincial progress and assess how provinces are doing. Any assembly of often-unconventional provincial behaviour is then checked against some mis-specified counterfactual–perhaps of possible local delegation, like redistricting–before anything might be attributed to a centralisation of licensing.

In addition to describing comparisons, the study conducts three statistical tests that form new inferences beyond visual trend reading. A paired t-test and (Wilcoxon signed-rank test) non-parametric counterpart is conducted first to determine whether yearly change in provincial PAD differs significantly from zero. This is especially useful because variables like these are typically right-skewed, like revenue, and thus the Wilcoxon test serves as a non-parametric robustness check on the distribution. Second, the outliers are identified in a structured manner rather than through visual inspection, using a widely used percentage threshold ($|z| > 2$) as well as an interquartile range (IQR) rule applied to each province's year-on-year per cent change. Third, in situations where an outlier cluster appears to be due to a common driving force, for example, the six provinces impacted by the 2022 Papua redistricting, we conduct a Welch's t-test comparing the change in the mean percentage of acutely malnourished children across that cluster and other provincial observations. We look for evidence of overall deviation of the cluster from the broader national trend, or whether any effect is largely within a subset of it. Two-sided ($\alpha = 0.05$) was used for all tests.

Building on the doctrinal and political literature, it adds a single illustrative qualitative vignette to the 38-province quantitative panel to concretise what is meant by this dimension of "resistance of adaptation." This vignette is taken from Cilacap Regency, Central Java. Cilacap also has a few nationally classified Obvitnas, such as some significant oil refining and energy

[18] DJPK Ministry of Finance; BPS-Statistics Indonesia. Authors' calculation based on provincial government finance data, 2023–2025. The available dataset reports total Regional Own-Source Revenue (PAD), rather than licensing-fee revenue in isolation; therefore, the analysis concerns aggregate PAD resilience and revenue composition rather than a precisely isolated causal effect of licensing centralisation.

production facilities. These activities also include environmental and industrial permits, which fall under the licensing functions transferred to the national government under the Job Creation Law. This scenario draws on public quotations of record from a specified local legislator who responded to a shortage caused by central transfer in 2026. It shows, shaping the attitude of a territory about centralised licensing coordination. The vignette is intended here as an illustrative case, rather than a data-sampling of qualitative evidence across regions. Its function is to test the resistance narrative that cannot be tested just by national panel data.

This vignette explicitly states its data provenance. The Cilacap data used in this analysis is derived entirely from dated, publicly available regional print news reporting of on-the-record statements by a named individual (Vice Chairman of the Cilacap DPRD, Sindy Syakir), rather than from a primary interview conducted by the authors. This material does not originate from original data collected through human-subject interviews but rather from statements already in the public domain, so it is exempt from standard institutional review requirements for primary-interview research. Nonetheless, the vignette is illustrative rather than representative, and the methodology represents an acknowledged limitation of this work, as discussed in the Limitations section below.

The analytical framework for this study uses the presumption of the [subsidiarity-like clause of] "widest possible autonomy" in Article 18 as the normative basis for assessing how licensing is reallocated under the Job Creation Law. Three propositions follow. As a matter of constitutional structure, however, and consistent with the ontology-sensitive nature of Cahill's account(and its general implications),[19] centralisation (such as national licensing) is suspect by default unless the national government can establish that regional-level licensing was genuinely insufficient to achieve regulation for the purposes in question. Here, however, while the null case would be difficult not to make at all with respect to the executing regulation of Job Creation Law as an individual reform element is mainly framed with regard investment-climate efficiency rather than in terms of a failure of regional regulation (a claim that requires proof), neither do its *travaux préparatoires* appear to envisage this null case. That is consistent with doctrinal legal analysis in which the OSS-RBA positive-fictive licensing mechanism allegedly embodies indeterminate legal norms and a more circumscribed vein of judicial review–signalling that the reform sought efficiency at the expense of process- and constitutional-safeguarding.[20] Second, based on comparative experience, such as the Italian Constitutional Court overseeing "upward" competence migration, subsidiarity-consistent centralisation should, in principle, be reversible or at least adjustable once local capacity is established. On the other hand, licensing reallocation under the Job Creation Law is offered as an open-ended transfer across areas of the economy, rather than a conditional or sectoral exemption. Third, the persistence of fiscal resilience at the national level does not, without more, resolve the constitutional question–Riawati's "hollow-autonomy" thesis.[21] Resilience can coexist with, or even result from, regions rationally

[19] Maria Cahill, "Theorizing Subsidiarity: Towards an Ontology-Sensitive Approach," *International Journal of Constitutional Law* 15, no. 1 (January 2017): 201–24, https://doi.org/10.1093/ICON/MOX003.

[20] Nunik Nurhayati et al., "Legal Certainty of the Positive Fictive Policy in Business Licensing through the Online Single Submission Risk-Based Approach System in Indonesia," Jurnal Ius Constituendum 10, no. 2 (2025): 224–241, https://doi.org/10.26623/jic.v10i2.12009.

[21] Nian Riawati, Irfan Ridwan Maksum, and Roy Valiant Salomo, "The Reluctant Governor: Voluntary Recentralization and Hollow Autonomy in Indonesia," *International Journal of Urban and Regional Research*, 2026, https://doi.org/10.1111/1468-2427.70117.

relinquishing large parts of their regulatory authority where the costs become less than what they can bear. Thus, the empirical analysis below examines not just the overall PAD trend. Alternatively, it searches for two more precise signals: (a) provinces whose financial path diverges sharply from the national trend–budgets with nationally significant stress relationships that deviate from normal statistical variation rather than flagged anomalies deemed not statistically meaningful; and (b) in well-documented examples such as our Cilacap vignette reported later in this paper where regional actors themselves articulate the disincentive caused by regionally hosted activity granted a national license–and do so frame-dependent consistent with the protection of their autonomy guarantee rather than normatively displaced sovereign grousing.

It also clarifies how the study's doctrinal and fiscal components are arranged. Instead of applying the 38-province PAD panel as mere evidence of public policy outcomes, we use it to forecast whether the actual effects of licensing centralisation affirm or diverge from predictions grounded in a theory sanctioning subsidiarity. A uniformly severe fiscal decline across provinces would provide strong evidence that the reallocation exceeded what regional governments could be expected to retreat from in good faith, bolstering an argument of unconstitutional overreach. Conversely, if there is aggregate fiscal resilience paired with only scattered, peculiarly analysable exceptions—"this study finds—the centralisation is not vindicated. Rather, applying the framework described above, instead of asking questions on the qualitative and structural characteristics of those exceptions per se, which is the analytical step that will be developed in further detail in the Analysis and Discussion sections below.

ANALYSIS AND DISCUSSION

The Job Creation Law vs The Regional Government Law: Doctrinal Collision of Theories

The doctrinal tension that is examined in this article is the centralising nature of the Job Creation Law versus the decentralising logic of Law No. 23 of 2014 on Regional Government.[22] The Job Creation Law, especially through the OSS-RBA framework, aims to simplify the process of obtaining business licenses while further integrating it into a nationally coordinated system.[23] In contrast, Law No. 23 of 2014, which is the basis for regional autonomy, classifies concurrent governmental affairs as a natural foundation for it.[24] This outlines a framework in which local governments retain authority over functions related to health services, land-use planning, environmental protection, and regional economic development.[25]

It is not merely an administrative disagreement, but the dispute is grounded in genuine philosophical divergences. Why—because of the way the authority is constitutionally allocated in a unitary state like Indonesia. Regional autonomy is an obligatory constitutional arrangement rather than a mere set of tasks delegated by the central government. This given treatise can be

[22] "Law No. 6 of 2023 on the Enactment of Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation into Law; Law No. 23 of 2014 on Regional Government." (n.d.).

[23] Mahy, "Indonesia's Omnibus Law on Job Creation: Legal Hierarchy and Responses to Judicial Review in the Labour Cluster of Amendments"; Nurhayati et al., "Legal Certainty of The Positive Fictive Policy In Business Licensing Through The Online Single Submission Risk-Based Approach System In Indonesia."

[24] Utang Rosidin et al., "The Paradox of Dual Jurisdiction: Reassessing the Sharia Court in Aceh's Special Autonomy Framework," *Volksgeist: Jurnal Ilmu Hukum Dan Konstitusi* 9, no. 1 (June 27, 2026): 175–96, https://doi.org/10.24090/VOLKSGEIST.V9I1.12445.

[25] "Law No. 23 of 2014 on Regional Government; Law No. 1 of 2022 on Financial Relations between the Central Government and Regional Governments," n.d.

changed or taken as constitutional statutory interpretation (Articles 18, 18A, and 18B of the 1945 Constitution).[26] The central government may coordinate licensing policy,[27] but that coordination need not efface the substantial role played by regional governments on matters that remain closely tied to local governance functions.

The doctrinal problem gets sharper regarding regional governments, which remain bound to local regulatory, ecological, terrestrial, and public service roles, while substantive licensing discretion is increasingly channelled via OSS-RBA. This creates a disconnect between responsibility and authority: regions can still be held responsible for the local impacts of licensed developments but have less power to influence the licensing decisions themselves. This also engenders a legal-regulatory "dualism" between the Job Creation Law and the Regional Government Law.[28]

This begs the question (or should we say, this confuses the two questions): not if a licensing simplification would be desirable. The issue is whether the transfer of power to license has been appropriately balanced under Constitution. An acceptable central coordination model, then, should maintain some regional participation, ensure proportionality in authority-sharing, and include fiscal safeguards primarily where losing a licensing authority limits how regions collect revenue. The analysis of fiscal-panel data in what follows is not meant, therefore, to be doctrinal. Rather, it offers an empirical basis for evaluating whether the legal redistribution of licensing power has real-world effects on the fiscal independence of local government units.

Evidence on PAD Trends in 38 Provinces from Fiscal-Panel

The PAD realisation data for 38 provinces over the period 2023–2025 suggest that, overall, regional fiscal capacity actually strengthened—not weakened. Total provincial PAD increased from Rp194,260 billion (2023) to Rp204,170 billion (2024, +5.1%) and is budgeted to rise again to Rp217,935 billion in 2025 (+6.7%). That makes for a total +12.2% gain over the entire period. When analysed province by province, 36 of the 38 provinces showed higher PAD in 2024 than in 2023. Papua (-23.2%) and West Papua (-25.3%) were able to resist the flow of new arrivals, with declines in both provinces. The fastest provincial growth rates for PAD across the dataset were in the four provinces from 2022 redistricting—South Papua, Central Papua, Highland Papua, and Southwest Papua (+15% to +18%). The complete province-by-province comparison is summarised in Table 2.

And these patterns do not just show up in charts. They are statistically robust. This increase in provincial PAD from 2023 to 2024 is significant in a paired t-test ($t(37) = 2.95$, $p = 0.005$) and confirmed with the non-parametric Wilcoxon signed-rank test ($W = 60.5$, $p < 0.001$). The effect size is medium (Cohen's $d = 0.48$) and the 95% confidence interval for the mean percentage change [2.28%, 7.35%] stays entirely above zero. Unusual cases are identified using formal outlier rules. Using both a standardised z-score cutoff ($|z| > 2$) and the IQR rule, Papua ($z = -3.57$) and West Papua ($z = -3.82$) stand out as extreme negative outliers. At the same time, Bali

[26] Ni'matul, *Otonomi Daerah: Filosofi, Sejarah Perkembangan Dan Problematika*; Asshiddiqie, *Pokok-Pokok Hukum Tata Negara Indonesia Pasca Reformasi*.

[27] Indah Febriani et al., "Empowering Communities Through Old Oil Wells: Analysing Legal Frameworks and Policy Gaps in Indonesia," *Sriwijaya Law Review* 9, no. 1 (January 31, 2025): 95–113, https://doi.org/10.28946/SLREV.VOL9.ISS1.4261.PP95-113.

[28] Constitutional Court of the Republic of Indonesia, Decision Number 91/PUU-XVIII/2020; Constitutional Court of the Republic of Indonesia, Decision Number 168/PUU-XXI/2023.

(+11.1%) and the four newly established Papua-region provinces (+15% to +18%) are flagged as positive outliers under the IQR approach. When considering these six provinces (the two parent provinces and the four newly formed ones) as per group, their mean percentage change (+2.99%) is not significantly different from that of the rest-of-sample mean (+5.16%; t = –0.25, p = 0.811), using a Welch's t-test. The big-picture takeaway is that the "no difference" finding itself tells something: it implies that while Papua and West Papua have indeed declined sharply, the rest of the Papuan region has not fared badly at all. Instead, it is consistent with an in-cluster reallocation of the revenue base among the six restricted provinces supporting (and not just asserting) the alternative interpretation of this study, as opposed to treating the decline as prima facie evidence of licensing centralisation.

Table 1: Regional Own-Source Revenue (PAD) per Province, 2023–25 (Rp billion; Target: 2025 = Budget)

Province	PAD 2023	PAD 2024	PAD 2025 (target)	% Change 23–25
DKI Jakarta	49,500	52,300	56,500	+14.1%
West Java	23,200	24,800	26,100	+12.5%
East Java	18,100	19,200	20,400	+12.7%
Central Java	15,800	16,400	17,500	+10.8%
North Sumatera	8,720	9,150	9,620	+10.3%
East Kalimantan	8,550	9,200	9,850	+15.2%
Banten	8,250	8,610	9,150	+10.9%
South Sulawesi	5,150	5,380	5,720	+11.1%
Riau	5,120	5,350	5,680	+10.9%
South Sumatera	4,980	5,210	5,540	+11.2%
Bali	4,250	4,720	5,100	+20.0%
South Kalimantan	4,150	4,350	4,620	+11.3%
Lampung	4,120	4,290	4,560	+10.7%
West Sumatera	3,110	3,240	3,410	+9.6%
West Kalimantan	2,980	3,120	3,310	+11.1%
Aceh	2,850	2,910	3,050	+7.0%
West Nusa Tenggara	2,450	2,550	2,720	+11.0%
Central Kalimantan	2,410	2,580	2,750	+14.1%
DI Yogyakarta	2,210	2,350	2,520	+14.0%
Jambi	2,150	2,210	2,350	+9.3%
Papua	1,850	1,420	1,480	-20.0%
Riau Islands	1,780	1,850	1,980	+11.2%
North Sulawesi	1,550	1,620	1,740	+12.3%
East Nusa Tenggara	1,480	1,520	1,650	+11.5%
Central Sulawesi	1,420	1,510	1,630	+14.8%
Southeast Sulawesi	1,380	1,450	1,560	+13.0%
Bangka Belitung Islands	1,150	1,190	1,260	+9.6%
Bengkulu	1,050	1,120	1,210	+15.2%
West Papua	950	710	750	-21.1%
North Kalimantan	820	880	950	+15.9%
Maluku	720	750	810	+12.5%
North Maluku	650	690	740	+13.8%
Gorontalo	480	510	550	+14.6%
West Sulawesi	450	470	510	+13.3%
Southwest Papua	140	165	195	+39.3%

Central Papua	130	150	180	+38.5%
South Papua	115	135	160	+39.1%
Highland Papua	95	110	130	+36.8%
National Total	**194,260**	**204,170**	**217,935**	**+12.2%**

Source: *compiled by the authors based on official DJPK (Ministry of Finance) and BPS-Statistics Indonesia provincial government finance data 2023–2025. 2025 data represent budget targets, not audited realisation.*

Cilacap Vignette: Fiscal Pressure and Regional Adaptation to Centralized Licensing

The Cilacap Regency case highlights a related, albeit somewhat different, aspect of the central–regional fiscal tension that may be generalised and is perhaps predictable from the constitutional argument we are making in this study. In particular, it draws attention to fiscal vulnerability, specifically regarding transfer policy and local reluctance toward a more complex licensing scheme—not outright resistance. In April 2026, Cilacap's local government faced a reduction of approximately Rp393 billion in TKD (central government transfers to regions) due to national expenditure-efficiency policies set out in Presidential Instruction No. 1 of 2025. The cut constrained the regency's capacity to allocate money for infrastructure and other regional needs.

In on-the-ground comments aired by local media, the Vice Chairman of Cilacap DPRD, Sindy Syakir, characterised the fiscal situation as either way. Quoted from Radar Banyumas (15 April 2026), "*The regional fiscal situation is rather bad right now. Depending exclusively on local taxes and retributions to fund development is clearly insufficient.*"][29] In an earlier report (Banyumas Ekspres, 29 April 2026), easier investment licenses were one of the things she claimed would be part of the regency's response: "Attracting investment will not only impact development; it will reflect on economy and residents' welfare."][30] The report also notes that the DPRD urged the regional government to expedite investment licensing to attract capital.

In short, Cilacap's account disrupts the over-simplification that regional governments universally oppose national controls on licensing. Cilacap, under that fiscal pressure, was not challenging the national government over licensing. In its stead, it favoured simplified, more cohesive licensing to attract investment. This does not obviate the constitutional issue raised herein. Instead, it demonstrates that regional responses to centralised licensing are conditional—on the region's revenue capacity. Regions with tighter budgets may forgo this option and use streamlined coordinated licensing, even though that would not answer the underlying constitutional question about where regulatory power actually resides. It is best, therefore, to read the Cilacap vignette as a case of regional adaptation under fiscal pressure rather than as uniformly resistant or compliant behaviour.

Data Analysis

An interprovincial analysis of the PAD data demonstrated overall fiscal strength coupled with deeply uneven regional risk. PAD growth of 5.1% (2023–2024) and 6.7% (2024–2025) at the national level indicates that the consolidation of licensing authority under the Job Creation Law

[29] Radar Banyumas, "Dana Transfer Dipangkas, DPRD Cilacap Dorong Investasi untuk Percepat Pembangunan Infrastruktur," April 15, 2026, https://radarbanyumas.disway.id/cilacap/read/152098/dana-transfer-dipangkas-dprd-cilacap-dorong-investasi-untuk-percepat-pembangunan-infrastruktur.

[30] Banyumas Ekspres, "Dana Daerah Dipangkas 393 Miliar, DPRD Cilacap Minta Perizinan Investasi Dipermudah," April 29, 2026, https://banyumasekspres.id/dana-daerah-dipangkas-393-miliar-dprd-cilacap-minta-perizinan-investasi-dipermudah/.

does not directly correlate to a widespread, uniform decline in regional revenue as an analysis of constitutional and political concerns based on this study might suggest. This general resilience is probably linked to growth in non-licensing PAD components—especially regional tax instruments introduced under the strengthened Law No. 1 of 2022 on Financial Relations between the Centre and Regions (UU HKPD). To put it more simply, even if licensing revenue drops in some areas, it can be offset by increases elsewhere. The two provinces that did have a marked PAD reduction, Papua and West Papua, are both the main territory parent provinces subject to the 2022 Papua redistricting. On the other hand, four provinces carved out of that region have the largest increases in PAD available in the dataset. This broad pattern is thus more readily explained in terms of cross-sectional reallocation of tax and retribution bases among the six provinces in Papua as a function of centralising license alone. Because most regions that split take with them a disproportionate share of their parent's tax base (in years just after the split) irrespective of changes in sectoral regulatory policy. As such, the analysis identifies this as a possible alternative hypothesis to one that simply assumes default by the Job Creation Law causes the decline. The evidence supports that view, as the effect of licensing centralisation is at most an imperfect measure of regional fiscal capacity, which has no chance on the surface with Articles 18, 18A, and 18B to different ends. Rather, it best illustrates a finer nuance of structural problems to come: the decrease in PAD composition, resulting in less revenue from licensing. This can constrain the space in which regional governments act on economic regulation, even if total PAD is stable, due to growth in other revenue sources. This means that, legally, the fiscal impact of licensing centralisation should not be presented as a straight-line drop in PAD. It is more precisely described as a structural one: whether regional governments still have sufficient discretionary authority over revenue and the regulation of activities related to licenses to act autonomously.

Key Findings

Here are two doctrinal and evidence-based findings. For starters, licensing centralisation through the Job Creation Law alters the distribution of power in law. Under the OSS-RBA framework, substantive licensing discretion is transferred from regional governments to the national government.[31] This change causes doctrinal tension with Articles 18, 18A, and 18B of the 1945 Constitution, especially since regional governments still have local supervisory and public-service duties, while their role in influencing licensing decisions is weakened.[32]

Second, the dispute is not merely a technical administrative one. It is also partly a manifestation of regulatory dualism; the Job Creation Law leans toward integrating and simplifying licensing across sectors, while Law No. 23 of 2014 on Regional Government[33]

[31] Mahy, "Indonesia's Omnibus Law on Job Creation: Legal Hierarchy and Responses to Judicial Review in the Labour Cluster of Amendments"; Nurhayati et al., "Legal Certainty of The Positive Fictive Policy In Business Licensing Through The Online Single Submission Risk-Based Approach System In Indonesia."

[32] "The 1945 Constitution of the Republic of Indonesia, Arts. 18, 18A, and 18B" (n.d.); Ni'matul, *Otonomi Daerah: Filosofi, Sejarah Perkembangan Dan Problematika*; Asshiddiqie, *Pokok-Pokok Hukum Tata Negara Indonesia Pasca Reformasi*.

[33] Hariyanto Hariyanto, "Hubungan Kewenangan Antara Pemerintah Pusat Dan Pemerintah Daerah Berdasarkan Negara Kesatuan Republik Indonesia," *Volksgeist: Jurnal Ilmu Hukum Dan Konstitusi* 3, no. 2 (December 29, 2020): 99–115, https://doi.org/10.24090/VOLKSGEIST.V3I2.4184; Law No. 6 of 2023 on the Enactment of Government Regulation in Lieu of Law No. 2 of 2022 on Job Creation into Law; Law No. 23 of 2014 on Regional Government.

establishes regional autonomy structured around concurrent governmental affairs.[34] As a result, there is a disconnect between where regional responsibilities are carried out and the level of authority regions have.

Third, our analysis across 38 provinces finds no support for the theory that licensing centralisation is causally responsible for a broad-based reduction in aggregate regional revenue.[35] Nationally, between 2023 and 2025, provincial PAD increased. By contrast, at least in the shape they currently take, Papua and West Papua appear to be negative outliers that are more plausibly attributed to the 2022 redistricting than to centralisation of licenses alone.[36]

Fourth, the more alarming fiscal risk concerns the composition of PAD rather than its size. The same is true for findings like this one, which cannot demonstrate that centralisation of licensing actually caused the decline since their data measure total PAD rather than just PAD generated via licensing. Nonetheless, the findings indicate that aggregate PAD resilience is possible even in an environment where regional discretion over licensing-related revenue is dismissed. In a legal sense, this underpins the leading argument of this article, which, rather than pure economic damage, is that the root of the issue lies not in available capital but in capital's capacity to make, through the collapsing authority base for regional autonomy.

Theoretical Discussion: Synthesizing Aggregate Resilience with Doctrinal Concern

Employing the above theoretical framework, we argue that the 38-province PAD record suggests similarly with respect to generalised overreach of constitutional substance: aggregate fiscal resilience across 36 of 38 provinces undermines a hypothesis that licensing centralisation, more broadly, has exceeded provincial absorptive capacity. This is theoretically important as much literature on Indonesian recentralization (and the broader line of argument Butt critiques within the Constitutional Court's reasoning) tends towards assuming that greater central pilfering of regional authority mostly and directly redounds to regional detriment.[37] This assumption is complicated; however, the present data does not remove, but rather reinforces, an entrenched constitutional concern that motivates the doctrine.

Riawati's “hollow-autonomy” thesis offers a more nuanced account of what resilience might be masking. This means that if local governments under fiscal pressure rationally opt to cooperate with central regulation in place of resisting it, as soon as non-coordination with respect to fiscal resources exceeds their capabilities (and they perceive coordination more attractive), aggregate fiscal stability can go along with a real, and constitutionally relevant, erosion of substantive autonomy. Crucially, that erosion need not manifest in itself as a craving for enhanced regional self-determination; it might also take the form of seeking closer ties with precisely the system

[34] Iin Ratna Sumirat et al., “Constitutional Framework for Mining Regulation: Regional Autonomy and State Authority,” *Volksgeist: Jurnal Ilmu Hukum Dan Konstitusi* 8, no. 2 (October 2025): 415–29, https://doi.org/10.24090/VOLKSGEIST.V8I2.12616.

[35] DJPK Ministry of Finance; BPS-Statistics Indonesia. Authors' calculation based on provincial government finance data, 2023–2025. The available dataset reports total Regional Own-Source Revenue (PAD), rather than licensing-fee revenue in isolation; therefore, the analysis concerns aggregate PAD resilience and revenue composition rather than a precisely isolated causal effect of licensing centralisation.

[36] DJPK Ministry of Finance; BPS-Statistics Indonesia. Authors' calculation based on provincial government finance data, 2023–2025. The available dataset reports total Regional Own-Source Revenue (PAD), rather than licensing-fee revenue in isolation; therefore, the analysis concerns aggregate PAD resilience and revenue composition rather than a precisely isolated causal effect of licensing centralisation.

[37] Simon Butt, "The Indonesian Constitutional Court: Reconfiguring Decentralisation for Better or Worse?," *Asian Journal of Comparative Law* 14, no. 1 (July 2019): 147–74, https://doi.org/10.1017/ASJCL.2018.19.

that concentrates power at its apex.[38] Using PAD panel data alone, we cannot observe this mechanism directly because it manifests as a change in preferences for regulation rather than an immediate adjustment in aggregate revenue. This is why the illustrative vignette matters in substance, not merely in tone: when, in 2026, Cilacap experienced a shortfall of resources from central transfers, its legislators did not contest the centralisation of licensing authority. They actually went the other way and called for more simplification. This unambiguous example aligns with one of the pathways to voluntary recentralization predicted by Riawati's framework.[39] On balance, the available evidence has implications for just how centralising licensing might be thought about. The distribution of powers across various local and central governmental entities that this study identifies within the constitutional literature as presumptively suspect may, however, in practice be positively attractive to regions whose fiscal circumstances invite centralised coordination. That means we cannot imagine a simple story in which centralisation is harmoniously imposed upon (or resisted by) regional governments across the board.

The Papua and West Papua outliers allow for a connected, but separate, interpretation. The sharp PAD drop in these two provinces occurring just at the time of the 2022 territorial redistricting is much less compatible with a direct, mechanical fiscal damage argument about licensing centralisation that it is with Lewis's admonition from above that while formally expanded regional fiscal tools (like those introduced by UU HKPD) do not offer more effective substantive autonomy per se when administrative capacity and revenue structures are being reorganised simultaneously.[40] The four newly created Papua provinces had gained certain aspects of revenue from their parent provinces but had not yet developed the capacity to fully utilise the broader taxing instruments. That pattern fits with their PAD movement as a function of reallocation away from base rather than true domestic revenue mobilisation. If this is correct, then the Papuan experience serves as a warning against the temptation to read any single province's PAD path—up or down—as a pure measure of the underlying strength of autonomy. This further supports the earlier methodological choice of this study: to view redistricting not as an explanation for declines, but as one possible rival explanation against which we compare commissioning all opportunities in-house.

Overall, then, these theoretical considerations imply that the fiscal data do not so much "solve" as redirect the doctrinal conflict this study identifies. The mere experience of aggregate PAD resilience is not sufficient to ground a claim that the guarantee of autonomy in Article 18 substantively remains intact: subsidiarity concerns where regulatory discretion lies, rather than merely the amount of money that discretion generates. The overall picture presented here—fiscal strength at the national level, an articulated regional complaint originating from a fiscally robust district where nationally licensed property is situated, and undecided Constitutional Court case law on decentralisation—is more consistent with structural, qualitative weakening of regional regulatory autonomy than either (i) the uniform fiscal collapse assumed in some earlier policy work or (ii) a straightforward affirmation of licensing centralisation's constitutionality.

This doctrinal clash also has a judicial aspect that warrants special attention. Gordon establishes a three-dimensional framework—institutional, jurisdictional, and jurisprudential—for comparing systems of judicial federalism in which the central and local courts divide their

[38] Harison Citrawan and Nurrahman Aji Utomo, "Conscientious Avoidance: How Knowledge in the Prosecutorial System Shapes Indonesia's Transition?," *Sriwijaya Law Review* 9, no. 2 (July 2025): 399–415, https://doi.org/10.28946/SLREV.V9I2.969.

[39] Riawati, Maksum, and Salomo, "The Reluctant Governor: Voluntary Recentralization and Hollow Autonomy in Indonesia."

[40] Lewis, "Indonesia's New Fiscal Decentralisation Law: A Critical Assessment."

authority to effectively articulate constitutional norms. It also shows that the place of that authority (both institutionally and procedurally) matters in whether constitutional guarantees are construed broadly or narrowly.[41] The overturning Regional Regulation-review authority by the Constitutional Court itself, concentrating that power in a single place—the Supreme Court rather than distributing it to provincial and central executive review—as Butt documents,[42] is an instance of judicial-institutional centralisation running parallel (as far as administrative licensing) to the kind of regulatory-administrative centralisation this study examines when applied to Indonesia. Taken together, both shifts raise a further question that this study alone can pose. If the administrative locus of licensing authority and the judicial locus for contesting regional-regulation decisions have both moved toward the centre in the same time period, then their cumulative institutional effect on regional autonomy may be dwarf either centralisation effect by itself. Regions may find themselves stripped not only of daily regulatory discretion, but with a more limited and centralised path to stand up against that loss. Contrary to the potential future-research agenda for doctrinal work beneath, this proposition is not a claim that the fiscal panel results, based on data drawn from secondary sources of provincial revenue rather than judicial-process data, can be implicated in any empirical test today.

This reinforcement of the prior literature is important but perhaps not as significant in its own right, as it also clearly shows that licensing centralisation leads to predictable outcomes. They also contribute to what is known about the manner in which restructuring authority can constitute processes among the constitutional, political and fiscal elements of Indonesia's multilevel governance system. In theory, at least, the results support a claim made by legal and institutional scholars that where central authority has declined, constitutional friction can rise, and regional autonomy weaken.[43] Noted earlier in the literature on forestry, energy and natural-resource governance, regulatory fragmentation, weak intergovernmental coordination and uneven local capacity are all underscoring explanations for why governance often falters under centralising policy regimes.[44] Politically and fiscally, the results help advance our understanding of how centralisation can incentivise conditionality at the substantial level (as implied by theories predicting that groups fearing losing power will protect their interests), erode legitimacy pressures at lower levels of government, and exacerbate fiscal dependency—consistent with work on resilience paths and fiscal fragility.[45] On a practical level, this means that central–regional relations need to be adjusted for greater balance and flexibility. This augurs the reinforcement of the shared-rule and institutional-commitment mechanisms identified in comparative governance research.[46] In theory, it prescribes creating analytical models that are intertwined with legal, political, and fiscal dimensions rather than separate ones.

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41 Jeffrey Steven Gordon, "Comparative Judicial Federalism," International Journal of Constitutional Law 21, no. 4 (2023): 976–1010, https://doi.org/10.1093/icon/moad081.

42 Butt, "The Indonesian Constitutional Court: Reconfiguring Decentralisation for Better or Worse?"

43 K Dimyati et al., "Indonesia as a Legal Welfare State: A Prophetic-Transcendental Basis," *Heliyon* 7, no. 8 (2021): e07865, https://doi.org/10.1016/j.heliyon.2021.e07865.

44 Nurrochmat, Siregar, et al., "Transformation of Agro-Forest Management Policy under the Dynamic Circumstances of a Two-Decade Regional Autonomy in Indonesia."

45 Dodik Ridho Nurrochmat, Ristianto Pribadi, et al., "Transformation of Agro-Forest Management Policy under the Dynamic Circumstances of a Two-Decade Regional Autonomy in Indonesia," *Forests 2021, Vol. 12, Page 419* 12, no. 4 (March 2021): 419, https://doi.org/10.3390/F12040419.

46 S Shair-Rosenfield, "Shared Rule as a Signal of Central State Commitment to Regional Self-Rule," *Regional & Federal Studies* 32, no. 3 (2021): 375–92, https://doi.org/10.1080/13597566.2021.1960512.

Methodologically, it opens up to a multi-method research design that captures the longer-term effects of centralisation on regional governance effectiveness. In short, the study has significant theoretical and evidence-based policy implications for Indonesia's rapidly evolving governance landscape.

Lewis and Butt both encourage caution over regional fiscal instruments—Lewis argues that formal expansion in the quasi-fiscal instruments exercised by regions does not translate into meaningful autonomy,[47] and by Butt reveals the extensive internal inconsistencies within the Constitutional Court's own body of decentralisation jurisprudence[48]—and suggest that finding a sensible resolution to this study's doctrinal conflict will likely require more than just fiscal measures.

Table 2: Reconstructing Central–Regional Relations

Dimension	Empirical Findings	Reconstruction Recommendations
Authority	Power becomes too centralised, and ground loses access to genuine control over licensing/designation functions	Use hybrid approach: central does the high-risk sectors, regions do the low/medium-risk sectors
Administration	Implementation of OSS-RBA is uneven, and regional-level administrative capacity and readiness may vary significantly	Build regional capacity and establish digital shared governance for better coordination between central and regional agencies
Fiscal	At national level, the PAD of local governments increased (+5.1% in 2024, budgeted +6.7% in 2025), but this increase was concentrated in non-licensing revenue categories. In fact, Papua and West Papua, two provinces with PAD revenue that fell by around 23–25% as a result of 2022 territorial readjustment	Increase transparency by designating licensing-derived PAD for ring-fenced reporting and introduce courageous compensation through region/region fiscal constellations in regions facing structural revenue declines
Local Democracy	Local oversight has diminished, and public representation in licensing decisions has waned	Require formal consultations between central and regional governments as a minimal step in licensing procedures
Legal Certainty	Rule correlation is not identical across domains thus they can be interpreted different leading to confusion	Revise and harmonise the Regional Government Law and the Job Creation Law to minimise conflicting rules

This table illustrates how the empirical tensions (which tend to arise in instances where licensing is quite centralised) related to central–regional relations connect to policy options across the five dimensions of interest underpinning our recommendation: authority, administration, fiscal arrangements, local democracy and legal certainty.[49] The strong push for centralisation in the authority dimension and the effect of undermining meaningful regional functions reflect concerns exposed from research on how real decentralisation has weakened post-Job Creation Law,[50] where our recommendation is hybrid allocation model between high-risk vs. low/medium-risk sectors. The uneven rollout of OSS-RBA and large regional variation in preparatory efforts is emblematic of broader findings where institutional gaps are wide, coordination between levels of government is weak[51] and highlights recommendations to enhance regional

[47] Lewis, "Indonesia's New Fiscal Decentralisation Law: A Critical Assessment."
[48] Butt, "The Indonesian Constitutional Court: Reconfiguring Decentralisation for Better or Worse?"
[49] Hariyanto et al., "The Communal Democracy of Yogyakarta Special Region's Government on the Islamic Law Eclecticism Perspective," *AL-IHKAM: Jurnal Hukum & Pranata Sosial* 18, no. 1 (June 30, 2023): 200–221, https://doi.org/10.19105/AL-LHKAM.V18I1.7403.
[50] Dimyati et al., "Indonesia as a Legal Welfare State: A Prophetic-Transcendental Basis."
[51] Nurrochmat, Siregar, et al., "Transformation of Agro-Forest Management Policy under the Dynamic Circumstances of a Two-Decade Regional Autonomy in Indonesia."

capacities, as well as tentative extensions of digital co-governance mechanisms.[52] Despite aggregate PAD nationally rising rather than falling, the trend away from licensing-derived revenue coupled with the sharp PAD falls in Papua and West Papua is consistent with previous evidence that when certain local revenue sources dry up, it can point to fiscal fragility.[53] Weak regional oversight and limited public representation in licensing processes mirror findings on local resistance and declining political legitimacy,[54] supporting the table's recommendations for mandatory consultation requirements between capital and regional governments. Lastly, regarding legal certainty, regulatory inconsistency and multiple interpretations within sectors yield the same results as policy fragmentation.[55] This indicates that both the Regional Government Law and Job Creation Law need to be aligned to ensure clarity and uniformity with all laws.

LIMITATIONS AND SCOPE FOR FUTURE RESEARCH

The present study has four main limitations. First, the fiscal panel cites 2025 budgeted targets rather than the final audited realisation. The analysis should be updated once the audited numbers for 2025 are released, and future research needs to track whether mean compensation realignments materialise—and how. Second, the store data reflects total Regional Own-Source Revenue (PAD), not just the licensing-fee element. Therefore, the analysis characterises regional revenue as a narrowly defined causal effect. The upgraded causal inference would come from a disaggregated, licensing-specific revenue panel. Third, the qualitative findings are drawn from one illustrative vignette in Cilacap Regency, rather than a systematically sampled collection of interviews from multiple regions. Although this vignette is theoretically informative, it cannot be generalised to suggest this resistance pattern is widespread. Fourth, the reading of the Papua and West Papua outliers as likely prime explanatory variables reflects a fit in timing and contextual architecture more than a demonstrably independent statistical effect. An even better causal test would incorporate province-level control variables (e.g., indices of administrative capacity and transition-period transfer data) that this study's secondary dataset is ill-suited to evaluate.

These limitations lead to three future research directions. First, a systematic qualitative study—using purposive sampling from regions that do or do not host nationally licensed strategic assets, that vary in fiscal capacity, and that have different sectoral mixes—could examine whether the Cilacap pattern holds in other sites. This would produce the multi-region interview evidence this study's single vignette cannot offer. Second, if researchers were to build a PAD panel specifically for licensing fees, which would separate licensing income from the rest of PAD and extend that in line with audited 2025–2026 data, this would enable researchers to examine the (direct) centralisation effect itself even more clearly. That would also alleviate a primary limitation of the aggregate total-PAD measure used in this study: it does not break out licensing centralisation from substantive sub-sectoral tax reforms tied to UU HKPD. Third, future research on how the Constitutional Court and lower courts interpret and adjudicate the regulatory dualism

[52] Hananta Aldhanny Wibisono, Reza Octavia Kusumaningtyas, and Helmi Ayuradi Miharja, "E-Government and Artificial Intelligence in Electronic Administration: A Normative Legal Analysis of Modern Government Digitalization," *Journal of Law and Digital Civilization* 1, no. 1 (2026): 1–17, https://doi.org/10.66277/jldc.v1i1.20.

[53] Aginta, Gunawan, and Mendez, "Regional Income Disparities and Convergence Clubs in Indonesia: New District-Level Evidence."

[54] Nurrochmat, Pribadi, et al., "Transformation of Agro-Forest Management Policy under the Dynamic Circumstances of a Two-Decade Regional Autonomy in Indonesia."

[55] E I K Putri et al., "The Oil Palm Governance: Challenges of Sustainability Policy in Indonesia," *Sustainability* 14, no. 3 (2022): 1820, https://doi.org/10.3390/su14031820.

between the Job Creation Law and Law No. 23 of 2014 could further qualitatively test this study's prediction. This would probe whether Indonesia's decentralisation jurisprudence is still an unresolved body of doctrines that remain flexible in its constitutional outcome[56] and, thus, subject to change—an explanation already beginning to emerge in sectoral scholarship on mining licensing. For example, that literature demonstrates how the shift from contract-of-work to permit-based regulation generated new uncertainties about where licensing authority lies.[57]

The results of this research may yield a lesson with broader geographical relevance beyond Indonesia. Comparative federalism research—especially studies of regulatory centralisation—arrives at a similar baseline conclusion: long-term, system-wide shifts in licensing authority are generally rare, even in systems much more centralised than Indonesia. For instance, research concerning the European Union single-market alignment and the US more limited patterns of regulatory assignment (in which, for example, laws such as the Clean Air Act counterintuitively specify how much to vary the degree of centralisation by regulatory task) points to centralisation tending to be "calibrated" rather than blanket. Many comparative systems have national ambient standards set at the center, to which authorities then have discretion—but they do not typically reallocate an entirely licensing function across-the-board like this. Indonesia's approach looks different. Indonesia is comparatively odd in this respect in that the country reallocated licensing authority system-wide (utilising the OSS-RBA architecture instead) rather than fine-tuning balance sector by sector. That might also help explain why the doctrinal literature this study reviews struggles to depict Indonesia’s shift in pure terms—whether as a legitimate coordination function or a breach of autonomy. Since most analytical frameworks for comparison take as given calibrated, sector-specific centralisation, they cannot provide much guidance on how to evaluate a relatively uniform, cross-sectoral reallocation of licensing authority, such as that at issue here. This mismatch here between universal assumptions about comparison and Indonesia's own institutional design is itself a contribution of the study. It recommends that future research into comparative constitutional law around licensing and regulatory federalism should consider uniform, cross-sectoral centralisation to be a category of its own—one that is fundamentally different from the calibrated, sector-specific centralisation on which most existing other frameworks are based.

CONCLUSION

This study finds that licensing centralisation post-establishment of Indonesia's Job Creation Law creates doctrinal tension between the normative right to a decent livelihood and regional autonomy. This tension arises because, while OSS-RBA transfers day-to-day substantive licensing discretion from the region to the national level, it will require regional governments to assume many functions with major local responsibilities—especially supervision, environmental management, spatial planning, and public services. Consequently, the regions' power and accountability do not align. It also illustrates regulatory dualism between the Job Creation Law and Law No. 23 of 2014 on Regional Government. Based on the study's content, this is how it addresses the legal question: Licensing simplification cannot be unconstitutional on its own. This is a bug that turns regional autonomy from meaningful authority into mere smoke blown away. But empirically, the analysis of PAD across 38 provinces does not provide

[56] Butt, "The Indonesian Constitutional Court: Reconfiguring Decentralisation for Better or Worse?"

[57] Achmad Beni Candra, “Implications of Changing the Terminology of a Contract of Work to a Mining Business Permit for Mineral and Coal Mining,” *Journal of Law and Legal Reform* 3, no. 2 (April 30, 2022): 215–42, https://doi.org/10.15294/JLLR.V3I2.55214.

evidence that centralisation of licensing uniformly reduces fiscal capacity across regions. Provincial population aged disability aggregated between 2023 and 2025. Meanwhile, the steep drop-offs in Papua and West Papua are attributable as much to the 2022 Papua redistricting as to licensing centralisation. Hence it seems that the fiscal risk is more specific than broad "decline in PAD." The biggest risk is the design of PAD: revenues may remain robust nationwide, but the loss of discretion over licensing-derived revenue and regulatory authority comes with it at the regional level. The same is demonstrated in the Cilacap vignette, which shows that there is no uniform recalcitrance to regional response. But regions with tighter fiscal constraints may actually be in favour of the simplified centralised treatment, as it creates more favourable investment conditions. Thus, it is necessary to overhaul central–regional relations through harmonisation between the Job Creation Law and the Regional Government Law, separation of licensing authority, mandatory consultation mechanisms, and supplemental fiscal safeguard schemes for regions whose revenue from, or regulatory discretion over, licensing is structurally undermined.

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