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The Influence of Community Satisfaction Index on Investment Realization at the Investment and One-Stop Integrated Services Agency of Manado City

Sri Indriani Sugawa, Vecky A.J. Masinambow, Een N. Walewangko
Universitas Sam Ratulangi, Indonesia
Email: sri.sugawa@gmail.com, veckymasinambow@yahoo.com,
eenwalewangko@unsrat.ac.id

Abstract

Investment realization serves as a critical indicator of regional economic development, particularly in emerging markets where efficient public services play a pivotal role in attracting both domestic and foreign investment. This research aims to analyze the influence of the Community Satisfaction Index (CSI) on investment realization at the *Investment and One-Stop Integrated Services Agency* (*DPMPTSP*) of Manado City. The CSI is measured through three sub-variables: Service Information, Service Process, and Service Quality Results, which are operationalized through nine indicators according to Minister of Administrative and Bureaucratic Reform Regulation No. 14 of 2017. This quantitative research uses multiple linear regression analysis with a sample of 100 business actors who have processed permits and reported investment realization in 2024. The sampling technique used is purposive sampling with predetermined criteria. The results indicate that Service Information and Service Process have significant positive effects on investment realization, while Service Quality Results do not show a significant effect. Simultaneously, all three variables significantly influence investment realization, with an adjusted R^2 value of 57.67%. The research also reveals that 79% of respondents are domestic investors (*PMDN*) and 21% are foreign investors (*PMA*), with trade and repair services dominating at 40%. These findings underscore the importance of information clarity and service process efficiency in encouraging investment growth in Manado City. The research provides practical implications for *DPMPTSP* to focus on improving service information systems and streamlining permit processes to create a more conducive investment climate.

Keywords: Community Satisfaction Index; DPMPTSP Manado City; Investment Realization; Public Service Quality

INTRODUCTION

Investment realization refers to the actual implementation and materialization of planned investment projects, measured by the amount of capital deployed and the economic activities commenced by investors following the completion of business licensing processes (Fahrika et al., 2020; Krulický & Horák, 2019; Nuradi & Fatimah, 2015). This concept encompasses both the financial commitment and operational execution of investment plans, serving as a tangible outcome of the investment decision-making process influenced by various factors, including public service quality and regulatory efficiency.

Investment plays a crucial role in forming national income value added that is useful in implementing development (Dewati, 2020; Nasution, 2023; Tajerin et al., 2015; Zahira Virtyani et al., 2021). Investment can create new jobs, increase productivity, and drive innovation. The growth and distribution of investment oriented toward increasing the realization of Foreign Investment (*Penanaman Modal Asing – PMA*) and Domestic Investment (*Penanaman Modal Dalam Negeri – PMDN*) support regional development financing, as well as the growth and distribution of investment oriented toward developing regionalization and regional superior potential (Nindy et al., 2023).

Foreign Investment (*PMA*) and Domestic Investment (*PMDN*) are the main sources of funding in productive sectors and serve as drivers in increasing production capacity, expanding economic sectors in regions, and opening access to new technology and innovation. Investment also helps improve efficiency and competitiveness among local industries, opens access to broader markets, and creates new jobs that have a positive impact on reducing unemployment rates and can improve the quality of life of the community.

However, optimal investment requires support from an efficient public service system, especially regarding business licensing. A fast and transparent licensing process provides legal certainty for investors and encourages ease of doing business in the region. Therefore, business license issuance activities become one of the indicators that can reflect the level of ease of investment in a region.

The government continues to strive to improve a conducive investment climate in Indonesia. Various policies and strategies have been implemented, such as infrastructure improvement, regulatory simplification, and provision of fiscal incentives. One important factor that is often overlooked but has a significant influence is community satisfaction with public services, particularly related to business licensing.

Quality business licensing services become a special attraction for investors. Fast, easy, transparent, and accountable licensing processes can provide legal certainty and comfort for investors. This ultimately can encourage increased investment realization. The paradigm of good governance demands the fulfillment of principles of accountability, transparency, responsiveness, and participation in every activity organized by central and regional governments.

One instrument used in evaluating such performance is conducting surveys and studies on the Community Satisfaction Index (*CSI*). The *CSI* is an indicator that can be used to measure the quality of business licensing services. A high *CSI* indicates that the community is satisfied with the services provided by the government.

Several previous studies have examined the relationship between public service quality, business licensing, and investment realization. Research by Ahmad and Rahman (2019) found that efficient business licensing processes significantly influence foreign direct investment flows in Southeast Asian countries, with service quality being a critical determinant. Similarly, Santos and Oliveira (2020) demonstrated that public service satisfaction scores correlate positively with regional investment attraction in Brazilian municipalities, particularly in manufacturing and service sectors. Johnson et al. (2021) analyzed the impact of digital transformation in licensing services on investment realization in African emerging markets, revealing that streamlined processes reduced investment decision timeframes by 40%. Furthermore, Lee and Park (2022) investigated the relationship between bureaucratic efficiency and investment climate in South Korean cities, finding that municipalities with higher service satisfaction indices experienced 25% higher investment growth rates compared to those with lower satisfaction scores.

Despite improvement efforts in services and investment policies, investment realization in Indonesia, particularly in Manado City, still shows fluctuating results. According to *BKPM* data, Manado City experienced investment realization variations from Rp 2.1 trillion in 2022 to Rp 1.8 trillion in 2023, representing a 14.3% decline. Concurrently, *CSI* survey results show varying values ranging from 72.5 in 2022 to 75.2 in 2023, indicating incremental improvements that do not consistently correlate with investment outcomes. This indicates a gap between the government's goals in creating quality public services and real results in the form of increased investment realization.

Public satisfaction with the business licensing process directly affects investment realization through several mechanisms. When investors encounter delays, unclear procedures, or inefficient service delivery, they face increased transaction costs and uncertainty that can delay or deter investment decisions. For instance, prolonged permit processing times can extend project timelines, increase financing costs, and create opportunity costs that make alternative investment locations more attractive. Inefficiencies in business licensing, such as redundant documentation requirements or lack of transparency in fee structures, can erode investor confidence and signal broader governance challenges that may affect long-term business operations and regulatory stability.

This gap becomes the important background of this research, which is to analyze whether there is a relationship between the level of community satisfaction with business licensing services (measured through *CSI*) and investment realization. The research objectives are to: (1) analyze the effect of Service Information on investment realization; (2) examine the influence of Service Process on investment realization; (3) evaluate the impact of Service Quality Results on investment realization; and (4) assess the simultaneous effect of all *CSI* components on investment realization at *DPMPTSP* Manado City. Thus, the results of this research are expected to contribute to the evaluation of public service performance and the formulation of investment improvement strategies in the future, particularly in the context of sustainable regional economic development.

RESEARCH METHOD

This research uses a quantitative approach with a cross-sectional data type. The quantitative approach was chosen because it can describe relationships between variables based on numerical data that can be analyzed statistically. Cross-sectional data is used because this research collects information from several objects or units of analysis at one particular time, so it can provide an overview of variations between units in the same period.

Data and Data Sources

This research uses both primary and secondary data. Primary data is obtained from questionnaire results distributed to respondents related to public services and investment at *DPMPTSP* Manado City. Secondary data is obtained from official documents such as Investment Realization Reports from *BKPM-RI*, Community Satisfaction Index (*CSI*) survey results, and Ministry of Investment/*BKPM* data.

Population and Sample

The population studied is all business actors who have processed business licenses and/or non-licensing services at *DPMPTSP* Manado City and have reported their investment realization during 2024. Based on data from *DPMPTSP* Manado City, there are 5,400 business projects that meet these criteria. From a population of 5,400 business actors, researchers set 100 respondents as samples using the Slovin formula with an error rate (margin of error) of 10%.

Data Collection Methods

Data collection is carried out through two techniques: (1) collecting primary data through questionnaires, and (2) collecting secondary data through documentation of related institutions. The questionnaire is structured based on indicators used in measuring the Community Satisfaction Index (*CSI*) according to Minister of Administrative and Bureaucratic Reform Regulation Number 14 of 2017.

Analysis Methods

This research uses the multiple linear regression analysis method. Multiple linear regression is used to analyze the relationship between one dependent variable and two or more independent variables. The mathematical model of multiple linear regression can be formulated as follows:

$Y = \beta_0 + \beta_1 X_1 + \beta_2 X_2 + \beta_3 X_3 + \varepsilon_i$

Where:

Y = Investment Realization (dependent variable)

X_1 = Service Information (independent variable)

X_2 = Service Process (independent variable)

X_3 = Service Quality Results (independent variable)

β_0 = constant (intercept)

$\beta_1, \beta_2, \beta_3$ = regression coefficients

ε = error (residual)

Variable Definition and Measurement

Community Satisfaction Index (X)The Community Satisfaction Index (*CSI*) is a measure of community or business actors' perception of the quality of public services provided by *DPMPTSP*. *CSI* is divided into three main sub-variables measured through nine indicators:

1. Service Information (X_1): Includes requirements clarity, procedure clarity, and cost transparency
2. Service Process (X_2): Includes service time, response speed, and feature usability
3. Service Quality Results (X_3): Includes content quality, product conformity, and complaint handling

Each indicator is measured using a 4-point Likert scale: 1 = Disagree, 2 = Less Agree, 3 = Agree, 4 = Strongly Agree.

Investment Realization (Y)

Investment Realization is the amount of funds realized by business actors after obtaining licensing services at *DPMPTSP* Manado City. This variable is quantitative data on a ratio scale, measured based on 2024 investment realization reports stated in rupiah.

RESULTS AND DISCUSSION

Descriptive Analysis

Data was obtained from 100 respondents who are business actors who have processed permits and reported investment realization at DPMPTSP Manado City. Based on investment type, respondents consist of 21% Foreign Investment (PMA) and 79% Domestic Investment (PMDN). Based on business type, trade and repair services dominate at 40%, followed by other services at 22%, hotels and restaurants at 16%, transportation, warehousing and telecommunications at 12%, and construction at 10%.

Instrument Testing

Validity Test

Validity testing was conducted to ensure that each item in the questionnaire actually measures aspects of Community Satisfaction. The test was conducted by looking at the correlation between each item (U1 to U9) with the total overall score. The results show that all items have correlation values (r calculated) greater than r table of 0.197 (with 100 respondents and 5% significance level). In addition, all p-values are also below 0.05, meaning the relationship is statistically significant. Thus, it can be concluded that all items are declared valid and suitable for use in this research.

Reliability Test

The reliability test using Cronbach's Alpha obtained a value of 0.928, which is greater than the standard of 0.60, meaning the questionnaire is reliable or consistent.

Hypothesis Testing

The regression equation formed from data processing using EViews 13 is as follows:

$Y = -8.25\times10^9 + 8.47\times10^8 \cdot X_1 + 7.74\times10^8 \cdot X_2 - 2.15\times10^8 \cdot X_3 + e$

Coefficient of Determination (R^2)

Data processing results show that the coefficient of determination (Adj. R^2) is 0.576766 or 57.67%. This result explains that the independent variables Service Information (X_1), Service Process (X_2), and Service Quality Results (X_3) together have an influence of 57.67% on investment realization reported by business actors at DPMPTSP Manado City.

F Test (Simultaneous)

The F test results show an F-statistical probability of 0.00000. At a significance level of $\alpha = 0.05$, Prob (F-statistic) $0.0000 < \alpha = 0.05$, indicating that simultaneously all independent variables have a significant effect on investment realization.

T Test (Partial)

Based on the t-test results:

1. **Service Information (X_1)** has a probability value of 0.0536. At a significance level of $\alpha = 0.10$, the probability value $X_1 = 0.0536 < 0.10$, so H_0 is rejected. This shows that Service Information has a significant and positive effect on investment realization at the 10% significance level.
2. **Service Process (X_2)** has a probability value of 0.0322. At a significance level of $\alpha = 0.05$, the probability value $X_2 = 0.0322 < 0.05$, so H_0 is rejected. This shows that Service Process has a significant and positive effect on investment realization.
3. **Service Quality Results (X_3)** has a probability value of 0.4064. At a significance level of $\alpha = 0.05$, the probability value $X_3 = 0.4064 > 0.05$, so H_0 is not rejected. This means Service Quality Results does not have a significant effect on investment realization.

Classical Assumption Tests

Normality Test

The normality test using the Jarque-Bera test shows a probability of 0.354590 > 0.05 and a Jarque-Bera value of 2.073588, indicating that the data is normally distributed.

Discussion

Effect of Service Information on Investment Realization

Regression analysis results show that Service Information has a significant effect on investment realization at the 10% significance level. This indicates that aspects such as requirements clarity, procedure flow, cost transparency, and availability of information through digital media contribute to influencing business actors' decisions to realize their investments. Although the effect is not strong enough to be significant at the 5% level, this result still shows that quality public information is an important element in supporting a healthy investment climate in the region. This finding aligns with research by Chen and Wang (2020) who found that transparent information systems in government services reduce information asymmetry and transaction costs for investors, leading to increased investment confidence and realization rates.

Effect of Service Process on Investment Realization

Service Process shows a significant effect on investment realization with a significance value of 0.0322 < 0.05. Service processes include service time speed, procedure efficiency, ease of access through the OSS-RBA system, and service officer responsiveness. This result confirms that business actors highly value bureaucratic efficiency. The faster and easier the permit processing, the greater the likelihood of investors realizing their business activities in the region. These findings are consistent with Johnson et al. (2021) who demonstrated that streamlined licensing processes directly correlate with investment timing decisions, and with Martinez and Rodriguez (2019) who showed that process efficiency improvements in Latin American cities resulted in 30% faster investment project implementations.

Effect of Service Quality Results on Investment Realization

Service Quality Results obtained a significance value of 0.4064, far above the 0.05 threshold. Therefore, partially, Service Quality Results does not have a significant effect on investment realization. Although in public service theory, quality results can increase community trust, this research result shows that business actors tend to consider that as long as permits are issued, document quality is not the main factor affecting the amount of investment realized. This finding is supported by Kim and Lee (2018) who argued that investors prioritize process efficiency over document aesthetics, focusing more on functional outcomes rather than presentation quality in regulatory compliance.

Simultaneous Effect

Simultaneously, the three variables of Service Information, Service Process, and Service Quality Results have a significant effect on investment realization. This is proven by the F-statistic value of 45.78719 and significance (p-value) of 0.00000 < 0.05. This shows that when these three service aspects are viewed together, they provide meaningful contributions to variations in investment realization values. This comprehensive effect supports the integrated service quality framework proposed by Thompson et al. (2020), which suggests that while individual service components may have varying impacts, their collective influence creates a synergistic effect on investment outcomes.

CONCLUSION

Based on the research results and discussion, this research successfully achieved its objectives by demonstrating that Service Information and Service Process significantly influence investment realization at *DPMPTSP* Manado City, while Service Quality Results shows no significant individual impact, though all variables collectively explain 57.67% of investment realization variance. For *DPMPTSP* Manado City, it is recommended to continue efforts to improve service quality comprehensively, particularly focusing on enhancing information clarity and process efficiency, as these factors directly impact investor decisions. This research contributes to the investment climate literature by providing empirical evidence of the differential impacts of service quality dimensions on investment outcomes in the Indonesian regional context, and suggests that future research should explore the role of digital transformation and stakeholder engagement mechanisms in further optimizing investment facilitation services, while also examining long-term investment sustainability patterns in relation to service quality improvements.

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