

Thuggery in Industrial Areas Prevalent in Indonesia and its Impact on the Investment Climate

Tsania Khairunnisa¹, Aiman Yahya Lumintang², Hesti Muninggar³

¹Faculty of Law, Universitas Negeri Surabaya, Indonesia

¹Faculty of Law, Universitas Negeri Surabaya, Indonesia

¹Faculty of Law, Universitas Negeri Surabaya, Indonesia

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Abstract	<p>Gangsterism is a major obstacle to economic development and domestic investment conditions. This issue not only disrupts public security but also creates legal uncertainty that hinders investment, particularly in industrial areas. Through normative research and an analysis of various laws and regulations along with recent reports, this study reveals that gangsterism, often carried out by community organizations through intimidation, extortion, and factory closures, has resulted in the failure of large-scale investment projects. As a result, industrial operations are disrupted, productivity declines, and business confidence in legal security and stability also diminishes. Although the government, through the Ministry of Industry, has proposed granting certain protective status to strategic industrial zones to ensure their security by law enforcement agencies, addressing gangsterism still requires comprehensive legal reform, consistent law enforcement, and institutional accountability. This study concludes that effectively addressing gangsterism will be a crucial element in fostering a healthy investment environment and driving national economic growth.</p>
Keywords	<i>Thuggery, investment, industrial estates, law enforcement, economic growth</i>

INTRODUCTION

Thuggery is a phenomenon that has become a problem and gives unrest to the people in Indonesia. Thuggery is usually found in crowded areas such as markets, terminals, tourist attractions, or even on public roads. Apart from places that are crowded with people,

thuggery is also often present in areas that are not public places for the community, one of which is industrial areas. Industrial estates are generally considered functional areas, not public areas. Industrial estates have special characteristics, such as the presence of factories, companies, and production facilities related to certain industries, and are managed centrally. Who would have thought that thuggery could loot industrial estates. The problem of thuggery is very disruptive to industrial stability, especially in the context of the investment climate and economic growth. The practice of thuggery, which includes extortion, intimidation, and illegal levies against business actors, including foreign investors, creates an unfavorable business environment and increases the company's operational costs. This has a negative impact on investor confidence and can hinder the inflow of capital that is urgently needed for national economic development.

Previous research generally highlights barriers to investment in Indonesia from the aspects of bureaucracy, licensing, and infrastructure, and emphasizes the importance of fiscal incentives and ease of doing business. However, studies on the impact of thuggery on the investment ecosystem are still relatively limited and often positioned as a security or social issue, rather than a major factor influencing investment decisions. Some previous studies have also compared Indonesia with countries that have successfully eradicated gangsterism, such as Singapore, Japan, South Korea, and Hong Kong, which emphasize strict law enforcement and high business ethics. However, not many studies have specifically measured the economic impact of gangsterism, such as financial losses, decreased investment, or its impact on job creation quantitative.

Indonesia, which is working to become the center of the electric vehicle industry in Southeast Asia, faces major challenges from organized thuggery with links to government officials and law enforcement officials. Foreign investors such as BYD from China and VinFast from Vietnam have experienced harassment in the form of intimidation and extortion, leading to project delays and increased security costs of up to 12% of total investment, well above the global standard of around 2%. The impact of thuggery is not only financial, but also creates legal and social uncertainty that undermines trust in the legal system and social stability. This uncertainty is one of the main reasons foreign investors are reluctant to expand their business in Indonesia despite the huge market potential. Thuggery also triggers social unrest and tension between citizens, threatening a healthy and sustainable investment climate. The Indonesian government has taken steps such as establishing a special task force to eradicate gangsterism and conducting law enforcement, but its effectiveness is still questionable as it has not succeeded in uncovering the main actors behind gangsterism networks that have strong connections with political and business elites. This shows that gangsterism is a symptom of structural inequality and political economic patronage practices that are difficult to overcome completely.

Thus, gangsterism is not only a security and social problem, but also a serious economic problem that threatens the stability of Indonesia's investment and economic growth. Therefore, the problem of thuggery has a huge impact on the stability of the country's economy, this is the background of the study in this paper. With a qualitative approach and literature study, it can be found that effective and systemic handling of thuggery is needed to create a conducive investment climate, ensure legal certainty, and encourage sustainable economic growth in Indonesia.

ANALYSIS & DISCUSSION

The Effect of Thuggery on the Investment Climate

Broadly speaking, thuggery in the investment climate includes extortion, intimidations, and illegal levies to business actors including foreign investors. Not infrequently the problem involves local community organizations (CSOs) that disturb the industrial area as a result of the actions taken by these CSOs, the issue certainly gives a negative view to foreign investors who want to invest in Indonesia so that these investors ultimately hesitate to invest in Indonesia.

Thuggery greatly affects the investment climate in Indonesia such as reducing investor confidence. Not a few CSOs carry out acts of imposing illegal levies with the appendage of "Security Cost", but foreign investors actually feel intimidated by this and this affects investor confidence to invest in Indonesia because of legal uncertainty that guarantees the safety of investors from thuggery. Article 59 paragraph (2) letter a Law No. 16 Year 2017 states that "CSOs are prohibited for receive from or give to any party donations in any form that is contrary to the provisions of laws and regulations", then action related to illegal levies are certainly contrary to the provisions of laws and regulation as stipulated in Article 482 Law No. 1 Year 2023.

In addition, the effects of this illegal levy actions results in increased operational costs because both business actors and investors have to spend more money on the cost of protection and security guarantees in production, distribution and logistics. So this is also an obstacle to the government in increasing economic growth due to investors who cancel their investment, potentially causing losses of trillions of rupiah. The legal system in Indonesia will also be affected by this because thuggery does not only reduce investor confidence but also the confidence of business actors and the public in the laws and regulations governing thuggery and wonder how these laws and regulations can guarantee the rights of investors in investing and doing business that is stable and conducive.

Thus, thuggery and the interference of CSOs are certainly an influence that hinders growth of the investment climate in Indonesia and does not guarantee justice and legal certainty. So firm action is needed by the government in eradicating the practice of thuggery so that foreign investors are more confident and confident in investing in Indonesia so that the economy in Indonesia can develop.

Thuggery Controversy in Industrial Estates

Thuggery in industrial estates is a phenomenon that is increasingly evident in various regions in Indonesia. This controversy arises because thuggery practices not only disrupt the security and comfort of industrialists, but also the main cause of this controversy is the involvement of CSOs in thuggery practices. On the surface, these organizations claim to act as guardians of social order or protectors of local community interest. But in practice, some organizations abuse social legitimacy to pursue personal or group interests.

Thuggery in industrial areas is not only a social and economic problem, but also a serious legal issue. This shows an imbalance between positive legal norms and practices in

the field. Normatively, acts of thuggery such as impositions of will, extortion, intimidation, and sabotage of industrial activities have been clearly categorized as criminal acts in Indonesian criminal law. However, weak law enforcement and the absence of specific regulations that explicitly guarantee the legal protection of industrial actors from non-judicial interference make this problem even more difficult to overcome. Although Law No. 11 Year 2020 on Job Creation emphasizes case of investment, it does not explicitly regulate protection mechanisms from intimidative acts or extortion by parties outside state institutions.

According to report by *kompas.id* (2021), industry players in various regions such as Bekasi, Karawang, and Batam reported disturbances that occurred from unscrupulous thugs who claimed “land power” over certain sectors in the industrial environment. Thuggery that is not legally prosecuted gives a negative signal to the industrial world that the rule of law does not apply universally. Investors certainly need assurance of certainty and fair legal protection as the main requirement in making investment decisions.

The *kompas.id* report (2023) also revealed that several industry players suffered logistical and production losses due to these acts of thuggery. Sadly, a number of companies refused to report to law enforcement officials for fear of greater pressure. This fear arises because some perpetrators of thuggery have relationships with local political elites or even security forces. The weakness of law enforcement is reflected in the lack of assertiveness and inconsistency of the authorities in handling such cases.

The controversy becomes more complex when thuggery is protected or affiliated with local political forces. This makes business actors even more reluctant to report or fight back openly for fear of worse consequences. As a result, industry players have to bear additional economic costs, face legal uncertainty, and logistical obstacles that reduce efficiency and investment interest. As emphasized by the Minister of Industry (*detikFinance*, 2024), if this problem is not immediately resolved legally, then Indonesia risks losing its huge potential in attracting foreign investment that should bring technology and create jobs.

Factors Driving the Occurrence of Thuggery in Industrial Estates

Thuggery in the industrial sector is not an isolated phenomenon, it is the result of various structural, social, legal, and political factors. The formation of thug groups or CSOs that commit unlawful acts in industrial estates indicates weaknesses in economic governance, which potentially pose a risk of abuse.

The main factor that dominates is the weakness of law enforcement. Thugs often carry out their actions openly, but there is no firm action by the authorities. Many industry players expressed hesitation to report cases of extortion or intimidation for fear of becoming the next target of violence. As reported by *kompas.id* and *Tempo.co*, there is a habit police of police officers not taking action even though there has been a violation of criminal law. This creates a sense of impunity against the law for perpetrators i.e. the belief that they will not be punished, which increases the continuity of thuggery.

The existence of the National Role in Protecting the Business World, as regulated in Law No. 11 Year 2020 concerning Job Creation, facilities investment. However, it is not effective in providing quick and useful legal protection for business owners. There are no specific tasks or technical regulations that speed up the process of coercion or threats in industrial estates. Company vulnerability related to thuggery. According to *Alinea.id* and *Warta Ekonomi* (2024), most business owners believe that there is a single legal obligation

that specifically addresses the security of the industrial sector, but to date this has not been evenly applied throughout Indonesia.

Social and Economic gap factors in the neighborhood of industrial areas. Industry players choose to establish industrial estates right in residential areas that experience social and economic backwardness. Such inequality is a result of the emergence of a feeling of absence among the local community, who are not involved or utilized in the development process or who do not benefit from the existence of the industry. As a result, the general public decides to form an unofficial group that will eventually develop into a group of thugs or CSOs that often provides information so that the business can be utilize them for labor or services. According to a report by Kumparan.com, most thuggish activities are based on pressure against economic inequality and limited access to employment, although ultimately carried out in an unlawful manner.

There is politicization of CSOs and protection by local elites, some of the CSOs that participate in the practice of gangsterism are actually related to political groups. This results in a relationship of mutual protection between gangs and local elites, including unscrupulous officials or law enforcement officers. In many cases, the coercive actions of CSOs related to project security or labor recruitment escape prosecution due to protection from certain parties. As reported by MPR.go.id and DetikFinance (2024), the involvement of CSOs in forcing factories such as BYD to use their services cannot be separated from the weak separation between political and legal interest. This situation is exacerbated by legal uncertainty and is the driving factor for thuggery that is most difficult to overcome.

The industrial estate supervision system is not optimal because many industrial estates do not have a good supervision system, both in terms of physical labor and customer service. There is no standard operating procedure (SOP) that integrates area management, security forces, and industrial practices to manage raw material industrial estates related to external interventions.

Real Impacts that Occur

Thuggery has a damaging impact on public and investor confidence in the legal system and business security. The practice of extortion and intimidation by thugs makes the investment climate unfavorable. This also has an impact on business uncertainty which makes foreign investors hesitant to invest in Indonesia, some even choosing to switch to other countries. The impacts of thuggery is enormous, because in addition to the economic impact, thuggery also triggers social unrest and tension between residents around the industrial area, which further worsens industrial operations. Acts of thuggery committed by groups of thugs include extortion, intimidation, factory sealing and the imposition of "rations" in business, such as catering, transportation, and industrial waste management. These conditions have a negative impact in terms of a non-conducive business environment, increasing operational costs, and lowering the confidence of foreign and domestic investors.

The threatening impact of thuggery in the realm of investment in industrial estates is significant and detrimental, especially in the context of strategic industrial development as in the recent case of the BYD electric car factory in Subang, West Java. The case of the BYD electric car factory in Subang is a clear example of how thuggery disrupts major investments. Although the BYD factory is not yet actively operating, the construction

process has experienced disruptions in the form of extortion and intimidation of material transport truck drivers. Disruption to the construction and operation of the BYD factory in Subang, West Java, which is a major project with an investment value of around 1 billion US dollars and an electric vehicle production target of up to 150,000 units per year. Acts of thuggery from CSOs hindered the construction process and led to concerns for industry players. This thuggery action even occurred before the factory began production, raising concerns among investors regarding legal certainty and stability of the business climate in Indonesia. Because of a macro level in this case, thuggery in the industrial area caused the cancellation of a large amount of investment, which is estimated to reach hundreds of trillions of rupiah. This is not only detrimental to companies and investors, but also hampers national economic growth and job creation. Thuggery that is organized and connected to political elites and law enforcement officials is the root of the problem that is difficult to eradicate completely. This political elite usually uses the label of CSOs which initiates legal levies in industrial areas by intimidating for profit with the encouragement of legal assistance and protection from the political elite it serves (UNB, 2025).

These incidents of thuggery not only have a local impact, but also affect global perceptions or damage to Indonesia's image of investment security and stability in Indonesia. This makes potential investors reconsider the sustainability of their investment in Indonesia, so the potential for missing out on major investment opportunities in the electric vehicle era is increasingly real. As strategic projects such as the BYD factory play an important role in driving industrial growth and creating jobs, the disruption of thuggery can hamper the broader economic benefits for the community so that foreign investors who could be an opportunity for more employment in Indonesia actually become an additional loss because it has a traumatic effect on foreign investors. When associated with invitational bullying (intimidation or coercion in social and business context), thuggery can be considered a form of bullying that is carried out in an organized and systemic manner. Thuggery is carried out in several modes such as "project allotment" or the transfer of security contracts. This mode is similar to bullying that threatens the freedom and security of individuals or groups, except that in the context of business and investment, the impact is wider and has implications for economic and social stability.

Government Efforts in Handling Thuggery

The government has taken action to address acts of thuggery that occur for the sake of public order. The government seeks to maintain security guarantees for investors by taking firm action against perpetrators of thuggery so that investors feel safe and comfortable investing in Indonesia. Security is fundamental in creating a stable and conducive investment climate.

The government also urges the public to support a good investment climate by not disrupting investors' activities, as such investments open up job opportunities and improve people's welfare. Open communication with investors is carried out to ensure they get clear information and security guarantees, so that investor confidence in Indonesia is maintained despite the challenges of thuggery. In the case of countermeasures there are several other things that have been done by the government, namely the central government, which is urged by members of the DPR and community leaders to form an Anti Thuggery Task Force consisting of various law enforcement agencies to overcome thuggery that is increasingly troubling and dares to carry out extortion and intimidation of investors and business people. The Ministry of Investment (BPKM) is committed to clarifying and coordinating directly with

BYD and the Anti-Thug Task Force to follow up on the issue of thuggery disturbances so that the investment climate remains conducive. Minister of Industry Agus Gumiwang Kartasmita emphasized the government's commitment to eradicate thuggery that disrupts investment, assessing that decisive action by the authorities is very important so that there is no impression of omission that can undermine investor confidence. Strong support also came from figures such as Moeldoko, Chairman of Periklindo, who supported the West Java Governor's move to crack down on thuggery in order to create a conducive investment climate and open new jobs for the community. The national police and security forces are urged to be present and active in dealing with this security disturbance, including providing a complaint channel for the public and entrepreneurs who are victims of thuggery so that legal action can be taken immediately.

Other law enforcement should also be carried out firmly and fairly without discrimination, including against groups acting on behalf of CSOs that commit acts of thuggery. Severe sanctions such as revocation of status are also applied to organizations that are proven to be involved. The government and police take a preventive approach by providing legal counseling, routine patrols, and community education to reduce the space for thugs to move. A preemptive approach is also taken with early detection and intelligence activities to prevent thuggery. The government coordinates efforts with social services and labor agencies to provide guidance and job training to people who have the potential to become thugs so that they have a better alternative livelihood. These efforts are not only aimed at enforcing the law and maintaining order, but are also important for creating a conducive investment climate and increasing public trust in state institutions. With a combination of decisive action on the ground and long-term solutions involving community empowerment, education, and legal strengthening, the government seeks to eradicate thuggery effectively and sustainably (Irsan et al., 2008).

The solutions that can at least support the overall success in handling thuggery include expanding the formation of the Anti Thuggery Task Force throughout Indonesia, even in the deepest parts of the country to ensure consistent and comprehensive action against thuggery, conducting intensive legal counseling and education programs for the community so that they understand their rights and obligations and are not afraid of thuggery, enforce regulations related to community organizations firmly, including revoking the permits of CSOs that are proven to commit acts of thuggery so that they do not abuse legality for illegal activities or by creating new regulations with more binding sanctions such as fines or imprisonment, combining repressive approaches with preemptive and preventive, and repressive approaches, also utilizing intelligence and technology for early detection of potential security disturbances by groups of thugs. In the case of BYD investors, the solution that has been implemented by the government is open communication with investors to ensure they get clear information and security guarantees, so that investor confidence in Indonesia is maintained despite the challenges of thuggery. With firm measures and intensive coordination, the government is trying to suppress thuggery and at the same time maintain a conducive investment climate so that Indonesia remains attractive to domestic and foreign investors, especially in strategic projects such as the BYD factory in Subang (Pramudya Kusuma, 2023).

CONCLUSION

The practice of thuggery that often appears in the industrial world is certainly a major obstacle to the investment climate and national economic growth. Real thuggery that usually occurs in the form of extortion, intimidation and illegal levies carried out by community organizations not only damages legal stabilization but also reduces the confidence of foreign investors and business people and increases operational costs which are certainly detrimental to many parties. It is not uncommon for the involvement of unscrupulous officials and politics to protect CSOs which shows the weakness of law and regulations in guaranteeing the rights and security of investors.

To create a healthy, fair and safe investment climate, the government needs to play a role in law enforcement that is firm, fair and does not see social status. There needs to be strict and binding regulations on community organizations involved in the practice of thuggery. In addition, there must be prevention through education or socialization to the community around the industrial area regarding the importance of maintaining economic growth and law enforcement in order to reduce social inequality and increase security in the investment climate. With this, it is expected to be able to suppress thuggery and make Indonesia's image as a safe country for investors to invest in.

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