

Research Article

Juridical Analysis of The Role of The Investment Law in Promoting National Economic Growth and Stability

Muhamad Sidik Ajib Ibrahim¹, Parningotan Malau², Salmah³, Christopher EF Silitonga⁴

Universitas Riau Kepulauan^{1,2,3,4}

Corresponding Author, Email: muhamadsidikajibibrahim@gmail.com

Abstract

Investment plays a crucial role in promoting economic growth and maintaining national economic stability, especially in the context of globalization, which demands legal certainty and a conducive investment climate. This study is driven by the need to evaluate the effectiveness of Law Number 25 of 2007 concerning Investment as a legal instrument for strengthening the foundation of national economic development. The main issue examined is how the normative role of the Investment Law contributes to creating a healthy and sustainable investment climate. This research employs a normative juridical method using the statute approach and conceptual approach, focusing on the analysis of applicable regulations and relevant legal doctrines. The results of the study indicate that, normatively, the Investment Law provides legal certainty for investors. However, its implementation still faces several challenges, including regulatory overlap across sectors and weak institutional coordination. Therefore, regulatory harmonization and institutional strengthening are essential to ensure that the law effectively supports sustainable economic growth and national stability.

Keywords: investment, economic growth, national stability, juridical analysis, investment regulation.



INTRODUCTION

National economic development is the main foundation in realizing the welfare of the people and the independence of the nation. In this framework, investment functions as a strategic instrument to support financing for development and strengthen the national economic structure. Both domestic and foreign investments make significant contributions in driving economic growth through job creation, technology transfer, and increased national production capacity. The government, as the regulatory authority, is responsible for creating a legal foundation that ensures certainty, protection, and ease of doing business for investors through regulations that are responsive to global and local dynamics. Law No. 25 of 2007 on Investment is one of the legislative efforts to provide legal guarantees for business actors and create a conducive and sustainable investment climate. However, in practice, the effectiveness of this law still faces challenges, such as the lack of synchronization between sectoral regulations, overlapping policies between institutions, and weak inter-agency coordination, resulting in uncertainty in investment implementation in various national economic sectors.

The urgency of this research lies in the need to examine in depth how Law No. 25 of 2007 has fulfilled its strategic role in providing legal certainty and supporting a competitive national investment climate. Amid global competition and increasingly complex international economic integration, the existence of cohesive, consistent, and synchronized regulations with other sectoral policies becomes crucial. Barriers to investment practice, such as convoluted licensing procedures, overlapping institutional authority, and legal uncertainty, hinder optimal investment realization. This research is not only important in the theoretical dimension as an enhancement of academic discourse in the field of economic law but also holds practical relevance in formulating normative recommendations that can be used by stakeholders in reforming national investment policies.

Various previous studies have discussed issues related to investment, such as research by Nurjannah (2020), which analyzed the relationship between regulations and the investment climate in regional development, and studies by Prasetyo and Mardani (2019), which examined the constraints of implementing the Investment Law in the manufacturing sector. Dewi (2021) even emphasized the importance of simplifying licensing to support sustainable investment. However, most of these studies are still partial and have not comprehensively addressed the normative legal aspects of the Investment Law from the perspective of national economic development. Therefore, this research aims to fill this gap by thoroughly analyzing the normative substance of investment regulations and examining their legal implications in the context of sustainable economic development in Indonesia.

The limitation of this research lies in its focus on normative legal studies, which does not include empirical data or direct field evaluations. This study is limited to analyzing the legal norms outlined in the Investment Law and its implementing regulations, as well as the theoretical principles of investment law. Nonetheless, this approach provides significant contributions in understanding the role of law in supporting national economic development, particularly in building an adaptive and just investment legal framework. Additionally, this research does not explicitly compare the system of laws with other countries' systems, thus this study is

contextual within the scope of national law.

The novelty of this research lies in its comprehensive normative legal analysis of the role of the Investment Law in supporting both economic growth and national stability simultaneously. This research differs from previous studies that generally focus on administrative or technical issues in investment implementation by giving primary attention to the legal substance and regulatory framework as the foundation for economic development. This study also presents legal arguments based on the principles of legal certainty, utility, and justice, which are the main pillars in formulating inclusive and sustainable investment policies.

Based on the background and literature review, the primary goal of this research is to legally analyze the effectiveness of Law No. 25 of 2007 in promoting economic growth and creating national economic stability. Specifically, this research aims to: (1) examine how the legal provisions in this law provide legal certainty and protection for investors; (2) analyze regulatory disharmony that may hinder smooth investment; and (3) formulate normative recommendations for improving investment policy in the future. This research is expected to contribute scientifically to the development of economic law and become a reference for the formulation of national investment policies that are responsive to global economic changes and the need for sustainable development in Indonesia.

METHOD

This research uses a normative juridical method, which is a legal research approach that relies on the analysis of legal norms outlined in legislation and relevant legal doctrines to address the legal issues under investigation. This approach places law as written norms (*in norma*), which are prescriptive and systematic, providing guidance on the legal actions that should be taken in the context of investment in Indonesia. Therefore, this method does not directly examine social reality but rather focuses on legal materials as its object of study.

In its application, this research combines two main approaches: the statutory approach and the conceptual approach. The statutory approach is used to examine Law No. 25 of 2007 on Investment and its implementing regulations, including sectoral regulations directly related to national investment activities. This approach is important to assess the consistency, synchronization, and applicability of the legal norms governing investment within the national legal system. Meanwhile, the conceptual approach is used to study legal principles and theories, such as the principles of legal certainty, justice, and utility, which are relevant in evaluating the effectiveness of a regulation in promoting economic development through investment.

Data collection in this research is conducted through library research, a data collection technique that uses primary, secondary, and tertiary legal materials. Primary legal materials include the laws and regulations that form the legal basis for investment, both at the national and international levels. Secondary legal materials include legal textbooks, scholarly journals, previous research findings, and the opinions of legal experts. Tertiary legal materials consist of legal dictionaries, legal encyclopedias, and legislative indexes, which are used as supplementary tools for

understanding terms or concepts related to the research.

Data analysis is carried out qualitatively, interpreting legal norms and comparing them with existing legal theories and doctrines to obtain a systematic and logical legal argumentation. This analysis process involves examining the relationship between legal norms and the objectives of lawmaking and assessing the effectiveness of their implementation in practice. The main goal of this research is to provide a comprehensive understanding of the role and effectiveness of Law No. 25 of 2007 in driving economic growth and creating national stability. The results of this research are expected to generate normative recommendations for improving investment regulations that are more responsive and adaptive to the needs of sustainable development in the future.

RESULT AND DISCUSSION

The Role of the Investment Law in Enhancing National Economic Growth

Law No. 25 of 2007 on Investment is a legal instrument designed in response to the economic globalization developments that demand legal certainty for investors and the sustainability of national development. This law contains provisions aimed at creating a competitive and conducive investment climate, both for domestic and foreign investments. The legal certainty and protection provided by this regulation play a fundamental role in attracting capital flows to productive sectors, while strengthening the national economic structure as a whole.

Within this normative framework, the law outlines in detail the rights and obligations of investors, including guarantees of fair treatment, protection from arbitrary nationalization actions, and facilitation in the licensing and investment facility processes. These provisions not only provide security for investors but also reaffirm the country's commitment to providing regulations that support business certainty. As a result, the private sector is encouraged to actively contribute to national development through the expansion of production capacity, job creation, and enhanced economic competitiveness.

Furthermore, this law also regulates the provision of fiscal and non-fiscal incentives for investments in strategic sectors that have a broad impact on economic growth, such as infrastructure, energy, manufacturing, and agribusiness. This reflects the function of law as a tool for social and economic engineering, where the state uses legal instruments to direct economic activities towards the desired development goals. In this context, the law not only acts as a tool for social control but also as a catalyst for inclusive and sustainable development.

One important breakthrough in the implementation of the Investment Law is the establishment of the One-Stop Integrated Services (PTSP) agency, which plays a role in simplifying the investment licensing process. Through the PTSP mechanism, previously complicated bureaucracy can be streamlined, thereby increasing the efficiency and effectiveness of public services in the field of investment. This convenience becomes a crucial factor in attracting investment, especially in the context of global competition among countries to capture international capital flows.

The contribution of investment to economic growth can be seen not only from the increase in physical capital but also from the improvement in human resources and technology. Technology transfer, workforce skill development, and access to global markets become multiplier effects of sustainable investment. Thus, investment plays a dual role in increasing Gross Domestic Product (GDP) and accelerating the structural transformation of the national economy.

However, the effectiveness of this regulation in driving economic growth still faces various implementation challenges. There is still disharmony between central and regional regulations, overlaps between sectoral regulations, and inconsistency in granting investment facilities. Additionally, weaknesses in inter-agency coordination and low institutional capacity of implementing bodies also hinder optimal policy realization. This situation indicates that the presence of legal norms alone is insufficient without the support of institutional infrastructure and efficient governance.

In conclusion, Law No. 25 of 2007, in a normative sense, has provided a strong legal framework to support national economic growth and stability. However, to achieve the effective functioning of this law, regulatory reform steps are needed, including policy harmonization, strengthening inter-agency coordination, and periodic evaluation of its implementing regulations. With these improvements, the law can function optimally as a development instrument capable of addressing global challenges and achieving national economic independence.

Contribution of Investment Regulations to National Economic Stability

Law No. 25 of 2007 on Investment plays a strategic role not only as a legal foundation for attracting investment but also as a crucial instrument in maintaining national economic stability. Economic stability is a primary prerequisite for sustainable development, where the existence of regulations that provide legal certainty to business actors can mitigate investment risks and enhance market confidence. In this context, the presence of a legal framework that guarantees certainty and protection for both domestic and foreign investors strengthens the national economy's resilience in the long term.

One fundamental aspect regulated in this law is the principle of equal treatment for all investors, regardless of their country of origin or type of business. Additionally, the provisions on dispute resolution through international arbitration serve as an important tool in ensuring that there is a fair and accountable legal mechanism. The existence of such mechanisms is critical in the context of global competition, where confidence in a country's legal system becomes a key determinant in cross-border investment decisions. This directly strengthens Indonesia's position in the global investment arena and serves as a catalyst for enhancing national competitiveness.

Furthermore, the Investment Law contributes to national economic stability by strengthening the diversification of economic sectors. This regulation encourages investment in various strategic sectors such as agriculture, energy, infrastructure, and manufacturing, aiming to reduce reliance on sectors that are vulnerable to global fluctuations. This diversification acts as a mitigation strategy in the face of external

shocks, such as international financial crises or commodity price volatility. Thus, the regulation of investment direction and distribution through this legal instrument has strategic value in maintaining the nation's economic resilience.

This regulation also provides a strong legal foundation for offering various fiscal and non-fiscal incentives. For example, policies such as income tax reductions, exemption from import duties, and facilitation in obtaining permits and other supporting facilities are concrete manifestations of the economic stabilization function carried out by this regulation. These incentives are effective in driving investment flows into sectors that need capital strengthening, especially during times of economic pressure due to external dynamics. Therefore, investment regulations also play a role as an economic stabilization instrument in times of global uncertainty.

From a fiscal perspective, the development of investment activities also helps expand the national revenue base, particularly in the taxation sector. Increased investment will drive business growth, create jobs, and boost consumer consumption, which ultimately increases state revenue. This increased revenue can be used by the government to provide fiscal stimulus during crises or to fund strategic programs that support macroeconomic stability. Therefore, well-regulated investment, from a normative standpoint, can contribute to strengthening the country's fiscal capacity.

In addition to its direct contribution to economic and fiscal stability, the Investment Law also integrates investment policies into the framework of medium- and long-term development planning. This is evident in the synergy between national policies and regional development planning through the involvement of local governments in investment services. By creating alignment between central and regional regulations, optimal coordination can be achieved to create a conducive and stable investment climate. Sustainable economic development can only be achieved when investment planning is aligned with national macroeconomic policy directions.

Based on the above explanation, it can be concluded that Law No. 25 of 2007 plays a multidimensional role in maintaining and strengthening national economic stability. It not only provides legal protection for investors but also regulates the direction and composition of investments proportionally, strengthens the country's fiscal capacity, and ensures the alignment of long-term policies. To optimize these functions, periodic evaluations of the regulation's effectiveness and improvements to its implementing regulations are needed so that the law can truly function as a main pillar of inclusive and resilient economic development.

Normative Challenges in Achieving Legal Certainty for Investors

Law No. 25 of 2007 on Investment conceptually provides a solid legal foundation for ensuring legal certainty in the implementation of investment, both for domestic and foreign investors. This legal certainty is reflected in the regulation of investor rights protection, the principle of transparency, and the normative administrative procedures established. However, in practice, several normative challenges still hinder the effectiveness of implementing these provisions. One of the most prominent challenges is the lack of synchronization between regulations and the delay in harmonizing

implementing regulations, which ultimately creates legal uncertainty for investors and weakens the competitiveness of Indonesia's investment climate.

One form of regulatory disharmony that frequently occurs is the overlap between the Investment Law and various sectoral regulations that also govern investment activities. The inconsistency between national provisions and regional regulations remains a structural problem that has yet to be resolved. In some cases, local governments have set additional requirements not covered by the law, creating confusion and administrative burdens for investors. This inconsistency creates doubts in long-term business planning and hinders the inflow of investment into potential regions.

Moreover, coordination between government agencies, which should be synergistic and integrative, often operates sectorally and partially. This leads to the misalignment of investment policy implementation with the principle of policy coherence that is expected. Although normative legal tools, such as Presidential Regulations and Government Regulations, exist to govern cross-sector coordination, the weak technical implementation and the lack of mechanisms for sanctions against procedural violations are the main obstacles. This creates a gap between legal substance and administrative reality, which directly affects the credibility of Indonesia's investment legal system.

Another challenge concerns the weak mechanisms for evaluating and supervising the regulations governing investment. Although there are normative provisions requiring periodic reviews of regulations, their implementation tends to be administrative and has not substantively addressed the issues. As a result, many regulations that are outdated or no longer relevant to current conditions remain in force. This not only creates legal gaps but also normative conflicts that hinder the licensing process and the realization of investments.

Furthermore, sudden regulatory changes without adequate socialization also present a crucial issue. In practice, investors need legal stability and policies that can be predicted over a certain period. When sudden changes occur, especially in sensitive sectors such as taxation and licensing, unanticipated legal risks arise and disrupt business continuity. From a normative juridical perspective, legal certainty not only encompasses the existence of clear rules but also continuity and consistency in their application over time.

The legal principle of **lex superior derogat legi inferiori**, which states that higher-level regulations override lower-level ones, could ideally be used to resolve regulatory conflicts. However, in reality, many regional regulations or technical regulations contradict higher laws but are not immediately revoked or amended. This results in a dualism of norms that confuses investors and prolongs bureaucratic processes. Therefore, the active role of legislative bodies and oversight institutions is essential to ensure harmonization and compliance with the hierarchy of regulations.

Given the complexity of the normative challenges that remain, strategic and sustained steps are needed to strengthen legal certainty in investment implementation in Indonesia. Legal reform should focus on harmonizing regulations across sectors and levels of government, enhancing inter-agency coordination, and establishing a

substantive legal evaluation system oriented toward effective implementation. These efforts should be an integral part of the national legal development agenda to create a conducive, competitive, and sustainable investment climate, and to make a tangible contribution to national economic growth.

CONCLUSION

Based on the analysis conducted, it can be concluded that Law No. 25 of 2007 on Investment plays a crucial role in creating legal certainty for investors and providing a solid foundation for the development of the investment climate in Indonesia. Although this law provides a clear and structured legal basis normatively, its implementation on the ground faces various challenges. Issues such as disharmony between sectoral regulations and limited coordination between relevant agencies affect the effectiveness of the law in fostering stable and sustainable economic growth. Therefore, efforts to harmonize existing regulations and strengthen coordination between related agencies are necessary to ensure that investment policies can be optimally implemented and yield significant positive impacts on the national economy.

This research makes an important contribution to the development of investment law policies, particularly in identifying weaknesses that need to be addressed to support a better investment climate. Further research is needed to explore the application of regulations in strategic sectors that have the potential to drive economic growth. Additionally, future studies can assess the extent to which the implementation of these policies impacts sectors that have not been optimally reached. The findings of this study are expected to serve as a reference for policymakers in formulating more responsive, adaptive, and effective policies to address the increasingly dynamic economic challenges.

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