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Legal Framework Of Investment: An Analysis Of Challenges And Its Implications For Economic Growth

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Abstract

Investment law plays a critical role in shaping economic performance by influencing investor confidence, capital allocation, and long term development outcomes. This study examines the legal framework governing investment in Indonesia, analyzes the principal challenges affecting its implementation, and evaluates its implications for economic growth. The research employs a normative juridical approach based on doctrinal legal analysis, conceptual examination, and qualitative interpretation of statutory regulations, academic literature, and policy documents related to investment governance. The findings reveal that Indonesia has undertaken substantial regulatory reforms aimed at improving legal certainty, business efficiency, and investor protection through the Investment Law, risk based licensing mechanisms, and regulatory harmonization initiatives. Nevertheless, the effectiveness of these reforms continues to be constrained by regulatory fragmentation, institutional coordination challenges, administrative uncertainty, governance weaknesses, and emerging regulatory issues associated with digital transformation and sustainability requirements. The analysis further indicates that a strong investment legal framework contributes to foreign direct investment attraction, capital formation, industrialization, employment creation, financial development, and long term economic competitiveness. The study concludes that strengthening regulatory coherence, institutional effectiveness, and governance quality is essential for maximizing the contribution of investment to sustainable and inclusive economic growth.

Keywords : Investment Law, Legal Framework, Economic Growth, Regulatory Governance, Foreign Direct Investment.



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INTRODUCTION

The contemporary global economy is increasingly characterized by intense competition among nations to attract investment as a strategic driver of capital accumulation, technological diffusion, industrial transformation, and long term economic growth. Within this context, the quality of a country's legal framework has emerged as a critical determinant shaping investment decisions, particularly in an era marked by economic uncertainty, geopolitical tensions, digital transformation, and evolving patterns of global value chains. Classical development theory has long emphasized that capital formation and entrepreneurial activity constitute the foundation of economic progress, while modern international economics highlights the importance of institutional arrangements that reduce transaction costs and create predictable market environments for investors (Schumpeter, 1934; Krugman et al., 2022). Recent global developments demonstrate that investment flows are increasingly directed toward jurisdictions capable of ensuring legal certainty, regulatory efficiency, and effective protection of investor rights. Simultaneously, countries are confronted with mounting challenges associated with environmental sustainability, governance quality, financial market stability, and socioeconomic resilience, all of which influence investment attractiveness and growth prospects (Onofrei et al., 2022; Spyromitros & Panagiotidis, 2022). These developments indicate that the relationship between legal institutions and economic growth can no longer be understood merely through the lens of capital inflows, but must also account for the broader regulatory architecture that governs economic activity and investor confidence.

Existing scholarship has generated substantial evidence regarding the contribution of investment to economic development, yet the findings reveal a more complex relationship than traditionally assumed. Empirical studies consistently demonstrate that foreign direct investment contributes

positively to industrialization, productivity enhancement, employment creation, and economic growth, particularly in developing economies seeking structural transformation (Yimer, 2023; Utouh & Kitole, 2024). At the same time, legal scholars argue that investment performance is not solely determined by the volume of capital entering an economy but by the effectiveness of legal frameworks in providing certainty, accountability, and institutional coherence (Widijowati, 2023). Comparative analyses further suggest that governance quality, corruption control, and regulatory transparency significantly mediate the growth enhancing effects of investment, implying that similar levels of investment may generate divergent economic outcomes across jurisdictions depending on institutional conditions (Spyromitros & Panagiotidis, 2022). Research examining economic resilience in periods of crisis also demonstrates that legal and institutional capacity becomes increasingly important during episodes of disruption such as pandemics, armed conflicts, and rapid technological transitions, which reshape labor markets and investment patterns in fundamental ways (Нікуліна et al., 2022). Consequently, the literature increasingly recognizes that investment and economic growth are embedded within broader legal and institutional ecosystems rather than operating through isolated market mechanisms.

Despite these advances, important conceptual and empirical limitations remain unresolved within the existing literature. A significant proportion of studies focuses primarily on measuring the direct impact of investment on economic growth while devoting insufficient attention to the regulatory structures that condition investment effectiveness and sustainability (Yimer, 2023; Utouh & Kitole, 2024). Legal analyses frequently emphasize statutory provisions and normative principles without adequately examining how regulatory fragmentation, institutional overlap, and implementation challenges affect actual investment outcomes (Widijowati, 2023). Furthermore, empirical investigations often treat legal quality as a peripheral control variable rather than a central explanatory factor, resulting in limited understanding of the causal mechanisms through which legal certainty influences investor behavior and economic performance. The literature also exhibits inconsistency regarding the extent to which regulatory reforms automatically translate into improved investment climates, particularly in developing countries where administrative capacity, governance quality, and intergovernmental coordination remain uneven (Spyromitros & Panagiotidis, 2022). Such limitations indicate the existence of a substantial gap between theoretical assumptions concerning the role of legal institutions and the practical realities encountered in investment governance.

The unresolved nature of these issues carries important scientific and practical implications, especially for emerging economies seeking to accelerate growth through investment led development strategies. Indonesia represents a particularly relevant case because it has undertaken extensive regulatory reforms aimed at enhancing investment competitiveness through Law Number 25 of 2007 concerning Investment, Government Regulation Number 5 of 2021 concerning Risk Based Business Licensing, and Law Number 6 of 2023 concerning Job Creation (Republic of Indonesia, 2007; Republic of Indonesia, 2021; Republic of Indonesia, 2023). These reforms reflect an ambitious effort to simplify licensing procedures, strengthen legal certainty, and improve the ease of doing business. Nevertheless, concerns persist regarding regulatory harmonization, institutional coordination, investor protection, and the consistency of implementation across different levels of government. Investor confidence is influenced not only by licensing efficiency but also by the existence of effective legal safeguards, including consumer and investor protection mechanisms administered through the financial regulatory framework (Financial Services Authority, 2013). As global competition for investment intensifies, understanding whether legal reforms effectively address structural barriers becomes essential for both policymakers and scholars seeking to explain variations in economic performance.

Against this backdrop, the present study positions itself at the intersection of law and economics by examining investment regulation not merely as a collection of legal norms but as an institutional framework that shapes economic incentives, investor expectations, and developmental outcomes. Unlike previous studies that predominantly focus either on economic indicators of investment performance or on doctrinal analyses of regulatory provisions, this research integrates both perspectives to investigate how legal frameworks influence investment dynamics and economic growth simultaneously. The study seeks to move beyond conventional debates concerning the quantity of investment by exploring the quality, coherence, and effectiveness of the legal environment in which investment operates. Such an approach enables a more comprehensive understanding of how regulatory challenges, including overlapping regulations, legal uncertainty, bureaucratic complexity, and institutional fragmentation, may constrain the developmental benefits that investment is expected to

generate. In doing so, the research contributes to ongoing discussions concerning the role of legal institutions as foundational components of sustainable economic development.

This study aims to analyze the legal framework governing investment, identify the principal challenges affecting its implementation, and evaluate the implications of those challenges for economic growth. The research contributes theoretically by advancing an integrated analytical perspective that links investment law, institutional effectiveness, and economic development within a single explanatory framework. Methodologically, the study contributes through the application of a normative juridical approach combined with a descriptive analytical examination of regulatory structures and governance mechanisms, enabling a more nuanced assessment of the relationship between legal certainty and investment performance. The findings are expected to enrich scholarly debates concerning the institutional determinants of economic growth while providing evidence based insights for policymakers seeking to strengthen investment governance and promote sustainable development.

RESEARCH METHODS

This study adopts a normative juridical research design and is therefore classified as a non empirical inquiry that focuses on the examination of legal norms, regulatory structures, and institutional arrangements governing investment activities in Indonesia. The research is grounded in doctrinal legal analysis and informed by economic development theory to explore the relationship between investment regulation and economic growth. The selection of literature followed a purposive and relevance based approach that prioritized authoritative legal sources, statutory regulations, academic books, peer reviewed journal articles, and official policy documents directly related to investment governance, legal certainty, investor protection, and economic development. Primary legal materials consist of Law Number 25 of 2007 concerning Investment, Government Regulation Number 5 of 2021 concerning Risk Based Business Licensing, Law Number 6 of 2023 concerning Job Creation, and Financial Services Authority Regulation Number 1/POJK.07/2013 concerning Consumer Protection in the Financial Services Sector. These legal sources were complemented by leading theoretical contributions from economic development and international economics literature to provide a comprehensive conceptual foundation for assessing the role of legal institutions in shaping investment performance and broader economic outcomes (Soekanto & Mamudji, 2019; Schumpeter, 1934; Krugman et al., 2022).

The analytical framework combines statutory analysis, conceptual analysis, and comparative legal interpretation to evaluate the coherence, effectiveness, and developmental implications of Indonesia's investment legal framework. The study applies a qualitative interpretative method in which legal provisions, policy objectives, and institutional mechanisms are systematically examined to identify regulatory strengths, implementation challenges, and potential inconsistencies within the investment governance system. Interpretation was conducted through textual, contextual, and systematic approaches that enabled the assessment of relationships among legal norms, administrative practices, and economic policy objectives. To strengthen analytical rigor, a limited comparative perspective involving selected ASEAN jurisdictions was incorporated to identify patterns of regulatory effectiveness and institutional best practices relevant to investment promotion and economic development. The findings were synthesized through an integrative legal and economic analysis that links legal certainty, regulatory harmonization, investor protection, and institutional effectiveness to their broader implications for sustainable economic growth and investment competitiveness.

RESULTS AND DISCUSSION

Evolution and Institutional Architecture of Indonesia's Investment Legal Framework

The normative analysis indicates that the development of Indonesia's investment law reflects a gradual transition from a fragmented regulatory regime toward a more integrated governance framework. The enactment of Law Number 25 of 2007 established a unified legal foundation for both domestic and foreign investment activities. This transformation aligned with the broader objective of strengthening legal certainty and enhancing national competitiveness within the global economy (Republic of Indonesia, 2007). From a law and development perspective, institutional coherence functions as a prerequisite for sustainable capital formation and productive investment expansion (Schumpeter, 1934).

A review of statutory provisions demonstrates that the Investment Law introduced important principles concerning equal treatment, transparency, and protection of investor rights. These principles

were designed to reduce legal ambiguity that historically constrained investment decisions and increased transaction costs. The regulatory orientation reflects the proposition that predictable legal institutions contribute to economic efficiency and long term development outcomes (Widijowati, 2023). Similar conclusions are emphasized within international economic theory, which recognizes institutional stability as a determinant of investment attractiveness (Krugman et al., 2022).

Subsequent regulatory reforms accelerated through the introduction of risk based licensing mechanisms under Government Regulation Number 5 of 2021. The regulatory shift represented an effort to replace administrative complexity with a governance model based on proportional supervision and business risk classification. Such reforms illustrate a growing recognition that excessive procedural burdens can undermine investment efficiency and economic performance (Republic of Indonesia, 2021). Contemporary studies on economic governance similarly suggest that institutional modernization increases market responsiveness and business confidence (Chinoda & Kapingura, 2024).

The adoption of Law Number 6 of 2023 further strengthened regulatory restructuring by reaffirming the legal validity of the Job Creation framework. Examination of the legislative architecture reveals an attempt to harmonize sectoral regulations that previously generated overlapping administrative obligations. The reform agenda reflects a broader trend among developing economies seeking to improve competitiveness through regulatory simplification (Huwae et al., 2024). Comparative evidence suggests that legal systems capable of reducing procedural uncertainty are more successful in attracting productive investment flows (Olaoye & Sornarajah, 2023).

The doctrinal findings also indicate that investment regulation increasingly incorporates institutional coordination mechanisms involving multiple state agencies. This institutional expansion reflects the recognition that investment governance extends beyond licensing administration into broader domains of supervision, dispute prevention, and regulatory compliance. Effective governance structures are frequently associated with improved economic performance because they reduce uncertainty and enhance policy credibility (Manasseh et al., 2022). Regulatory effectiveness therefore depends not only on legal texts but also on the quality of institutional interaction.

Table 1. Evolution of Indonesia's Investment Regulatory Framework and Institutional Objectives

Regulation	Main Regulatory Focus	Institutional Objective	Expected Economic Implication
Law No. 25 of 2007 concerning Investment Government Regulation	Investment governance	Legal certainty and equal treatment	Increased investor confidence
No. 5 of 2021 concerning Risk Based Business Licensing	Risk based licensing	Administrative efficiency	Reduced transaction costs
Law No. 6 of 2023 concerning Job Creation	Regulatory harmonization	Ease of doing business	Improved investment realization
OJK Regulation No. 1/POJK.07/2013 concerning Consumer Protection in the Financial Services Sector	Investor protection	Market integrity	Stronger financial confidence

Source: Compiled from Republic of Indonesia (2007), Republic of Indonesia (2021), Republic of Indonesia (2023), and Financial Services Authority (2013).

The regulatory trajectory summarized in Table 1 demonstrates that successive reforms were directed toward strengthening both legal certainty and administrative efficiency. The table reveals that each legal instrument addresses a distinct governance dimension while collectively supporting investment facilitation objectives. Such regulatory layering is consistent with contemporary governance models that emphasize coordination among legal, economic, and supervisory institutions (Elnaiem et al., 2023). The effectiveness of this architecture depends on the degree to which legal norms are translated into coherent administrative practices.

Another important finding concerns the growing emphasis on investor protection as an integral component of investment governance. Financial Services Authority Regulation Number 1/POJK.07/2013 illustrates the institutionalization of consumer protection mechanisms within Indonesia's financial sector. Legal protection contributes to market confidence because investors are more willing to allocate resources when mechanisms for dispute resolution and accountability are clearly established (Financial Services Authority, 2013). Comparable findings from legal governance studies indicate that regulatory protection strengthens economic participation and market stability (Gondal & Hatta, 2024).

The analysis further reveals that the evolution of investment law increasingly intersects with digital transformation and emerging technological risks. Regulatory systems are now expected to address issues related to digital finance, data governance, and technologically mediated investment activities. Recent scholarship emphasizes that digital economic expansion requires adaptive legal institutions capable of balancing innovation and regulatory oversight (Chen et al., 2023). Similar concerns emerge in discussions regarding fintech development, artificial intelligence governance, and digital asset regulation (Ediagbonya & Tioluwani, 2023; Arsyad et al., 2026).

A broader institutional interpretation suggests that investment law operates as a strategic instrument for coordinating economic development objectives. Legal certainty supports capital accumulation while regulatory quality influences the efficiency with which investment contributes to productive sectors. Studies examining the economic consequences of legal frameworks consistently demonstrate that institutional quality exerts measurable effects on investment performance and economic growth trajectories (Karkalacos, 2024). The Indonesian experience reflects this relationship through ongoing efforts to align regulatory modernization with development priorities.

The findings collectively indicate that Indonesia has established a progressively more comprehensive investment governance framework through successive legal reforms and institutional adjustments. The regulatory architecture exhibits substantial convergence with international principles emphasizing transparency, efficiency, and investor protection. Remaining challenges are associated less with legislative availability and more with implementation consistency, institutional coordination, and regulatory adaptability within an evolving economic environment (Soekanto & Mamudji, 2019). These observations provide the foundation for examining the specific regulatory and institutional challenges that continue to influence investment effectiveness and economic growth.

Regulatory Fragmentation, Governance Constraints, and Emerging Challenges in Investment Implementation

The doctrinal analysis reveals that the principal challenge facing Indonesia's investment governance does not originate from the absence of legal instruments but from inconsistencies in implementation across administrative levels. Several regulatory reforms have introduced mechanisms intended to simplify business processes and improve investment facilitation. Practical implementation frequently demonstrates disparities between formal regulatory objectives and administrative realities encountered by investors (Huwae et al., 2024). This divergence illustrates the persistent gap between normative legal expectations and operational governance outcomes.

A recurring issue concerns the coexistence of sectoral regulations issued by different governmental authorities. Regulatory provisions that appear coherent at the national level often encounter interpretative variation during implementation within regional jurisdictions. Legal uncertainty emerges when administrative agencies apply overlapping standards to similar investment activities, increasing compliance burdens and procedural complexity (Karkalacos, 2024). Such conditions weaken the predictability required for long term investment planning and capital allocation decisions.

The relationship between central and regional governance structures remains another significant source of implementation constraints. Decentralized administrative authority has created opportunities for localized economic management while simultaneously generating coordination challenges in licensing and regulatory supervision. Investors frequently encounter differing interpretations of investment related obligations across jurisdictions despite the existence of nationally standardized regulations (Republic of Indonesia, 2023). The effectiveness of legal harmonization depends substantially on institutional alignment rather than solely on legislative reform.

Institutional coordination challenges extend beyond licensing administration into broader governance functions involving supervision, compliance monitoring, and dispute prevention. Multiple agencies frequently exercise authority over interconnected aspects of investment activities, creating procedural fragmentation that can delay decision making processes. Comparative governance studies suggest that fragmented institutional authority often diminishes regulatory effectiveness and weakens policy coherence (Elnaiem et al., 2023). Governance quality therefore becomes a decisive factor in determining whether regulatory reforms achieve their intended developmental objectives.

The literature also identifies corruption and administrative uncertainty as continuing obstacles within developing investment environments. Corruption increases transaction costs while reducing confidence in regulatory neutrality and procedural fairness. Empirical evidence from developing economies demonstrates that governance weaknesses can significantly constrain economic performance even when formal legal frameworks appear adequate (Spyromitros & Panagiotidis, 2022). Similar findings indicate that institutional accountability remains a critical determinant of investment effectiveness and sustainable growth (Manasseh et al., 2022).

Table 2. Major Regulatory and Institutional Challenges Affecting Investment Governance in Indonesia

Challenge Area	Legal Implications	Economic Implications	Relevant Regulations
Regulatory overlap	Licensing inconsistency	Investment delays	Law No. 6 of 2023 concerning Job Creation
Central and regional policy divergence	Legal uncertainty	Higher transaction costs	Law No. 25 of 2007 concerning Investment Government Regulation No. 5 of 2021 concerning Risk Based Business Licensing
Institutional coordination limitations	Administrative fragmentation	Reduced efficiency	OJK Regulation No. 1/POJK.07/2013 concerning Consumer Protection in the Financial Services Sector
Digital finance regulation	Supervisory gaps	Investor risk exposure	Sectoral regulatory frameworks
Data governance and privacy	Compliance uncertainty	Market trust concerns	Emerging sustainability standards
ESG implementation requirements	Regulatory adjustment costs	Investment screening pressures	

Source: Author compilation based on doctrinal analysis and literature review derived from Huwae et al. (2024), Karkalakos (2024), Spyromitros and Panagiotidis (2022), Republic of Indonesia (2021), Republic of Indonesia (2023), and related literature.

The challenges presented in Table 2 indicate that investment governance constraints increasingly arise from implementation complexity rather than legislative absence. Several obstacles are interconnected and reinforce one another through cumulative institutional effects. Regulatory overlap contributes to administrative uncertainty while weak coordination amplifies procedural inefficiencies. Such patterns demonstrate that governance quality is inseparable from the practical effectiveness of legal reforms.

Digital economic transformation introduces additional regulatory demands that were less prominent within earlier investment governance frameworks. Expanding digital platforms, cross border data flows, and technologically driven business models require adaptive legal mechanisms capable of addressing rapidly evolving risks. Studies examining digital economic development emphasize that governance systems frequently struggle to balance innovation incentives with regulatory oversight requirements (Chen et al., 2023). The challenge becomes more significant when technological innovation advances faster than institutional adaptation.

The emergence of artificial intelligence, financial technology platforms, and blockchain based transactions further complicates regulatory supervision. Legal systems designed for conventional investment structures often encounter difficulties when applied to decentralized technologies and automated decision making systems. Research on fintech and artificial intelligence governance highlights concerns related to accountability, transparency, operational risk, and regulatory jurisdiction (Ediagbonya & Tioluwani, 2023; Arsyad et al., 2026). Similar concerns have been identified in blockchain ecosystems where regulatory ambiguity may increase investor exposure to legal and financial risks (Mungoli, 2023).

Data governance has become another increasingly important dimension of investment regulation. Digital business activities rely heavily on data collection, processing, and cross border information exchange, creating new compliance obligations for firms operating within integrated markets. Weak regulatory clarity regarding data protection can undermine market confidence and discourage investment in technology intensive sectors (Alhitmi et al., 2024). Effective governance therefore requires the integration of investment regulation with broader frameworks governing digital rights and information security.

Environmental, social, and governance standards have also emerged as influential determinants of investment decisions and market access. Investors increasingly evaluate regulatory environments based on sustainability commitments, governance effectiveness, and institutional accountability. Research conducted within ASEAN demonstrates that regulatory quality significantly influences the relationship between ESG performance and economic outcomes (Handoyo & Anas, 2024). These developments suggest that future investment competitiveness will depend not only on administrative simplification but also on the capacity of governance systems to accommodate sustainability, technological innovation, and institutional integrity within a coherent regulatory framework.

Economic Growth Implications of Investment Legal Frameworks: Evidence from Indonesia and Comparative Perspectives

The normative findings indicate that investment law performs an economic function that extends beyond legal regulation into the broader process of development formation. A predictable legal environment reduces uncertainty and encourages the allocation of capital toward productive activities. Economic development theory emphasizes that institutional arrangements influence entrepreneurial decisions, innovation capacity, and long term economic transformation (Schumpeter, 1934). The quality of investment governance therefore constitutes an important determinant of national economic performance.

The relationship between legal certainty and foreign direct investment emerges as one of the most consistent findings within the literature. Investors generally evaluate regulatory stability before committing long term resources because legal unpredictability increases investment risk and transaction costs. Comparative evidence from developing economies demonstrates that improvements in legal quality are associated with stronger foreign investment inflows and greater economic dynamism (Yimer, 2023). International economic theory similarly recognizes institutional credibility as a central factor influencing cross border capital movements (Krugman et al., 2022).

The analysis also suggests that regulatory quality influences the effectiveness of capital formation processes. Investment expansion contributes to productive capacity when legal institutions facilitate efficient market operations and reduce administrative barriers. Financial development literature indicates that investment and market capitalization reinforce economic growth when supported by stable regulatory environments (Farooq et al., 2024). Capital accumulation becomes less effective when institutional uncertainty discourages long term productive investment.

Another important implication concerns the relationship between governance quality and industrialization. Industrial transformation requires sustained investment flows that support technological upgrading, infrastructure development, and productive diversification. Research examining African development experiences finds that foreign investment contributes significantly to industrial expansion when governance institutions provide stable policy environments (Utouh & Kitole, 2024). The developmental impact of investment therefore depends on both capital availability and institutional effectiveness.

Employment generation represents another channel through which investment law affects economic outcomes. Productive investment encourages business expansion, increases labor demand,

and supports the creation of new economic opportunities across sectors. Studies addressing economic disruptions and labor market resilience highlight the importance of investment driven economic activity in mitigating unemployment pressures and supporting structural adaptation (Нікуліна et al., 2022). The employment effects of investment become stronger when legal systems promote business confidence and operational continuity.

Table 3. Potential Economic Implications of Investment Legal Quality

Dimension	Strong Legal Framework	Weak Legal Framework
FDI Inflow	Higher investor confidence and sustained capital inflow	Reduced attractiveness and capital volatility
Industrialization	Expansion of productive sectors and technological upgrading	Slower structural transformation
Employment	Greater job creation and labor absorption	Limited employment growth
Financial Development	Deeper capital markets and financial intermediation	Restricted market expansion
Investor Confidence	Stable business expectations	Elevated uncertainty and risk perception
Long Term Growth	Sustainable and inclusive economic expansion	Lower competitiveness and slower growth

Source: Author compilation based on Yimer (2023), Utouh and Kitole (2024), Farooq et al. (2024), Ahmad et al. (2024), and related literature.

The synthesis presented in Table 3 illustrates that legal quality affects multiple dimensions of economic performance simultaneously. Strong legal frameworks influence investment decisions while also shaping broader development outcomes related to industrialization, employment, and financial sector expansion. The cumulative effect generates conditions that support sustainable economic growth rather than short term capital inflows alone. Legal institutions therefore operate as enabling mechanisms within broader development systems.

The literature further indicates that investment contributes to financial sector development through increased market participation and capital mobilization. Financial systems become more efficient when investors possess confidence in legal protection and regulatory enforcement mechanisms. Evidence from emerging economies suggests that financial development and investment mutually reinforce economic growth trajectories (Farooq et al., 2024). Macroeconomic stability also strengthens this relationship by reducing uncertainty associated with inflationary and fiscal pressures (Ali et al., 2023; Ahmad et al., 2024).

An increasingly important dimension concerns inclusive growth and equitable development outcomes. Contemporary development discourse emphasizes that economic expansion should be accompanied by broader participation and social inclusion rather than concentrating benefits within limited segments of society. Research on inclusive economic frameworks argues that institutional quality shapes the distributional consequences of growth by influencing access to opportunities and productive resources (Krysovaty et al., 2024). Investment governance therefore possesses implications extending beyond aggregate economic indicators.

Comparative perspectives from ASEAN suggest that countries characterized by stronger governance quality often achieve greater investment competitiveness and more favorable business environments. Regulatory effectiveness, institutional accountability, and sustainability commitments increasingly influence international investment decisions. Studies examining governance quality and environmental, social, and governance performance indicate that institutional strength contributes to both firm level outcomes and broader economic competitiveness (Handoyo & Anas, 2024). Governance quality consequently functions as a strategic asset within regional economic competition.

The broader synthesis supports a conceptual model of sustainable investment led growth in which legal certainty, governance quality, financial development, and institutional effectiveness interact to produce long term economic transformation. This perspective aligns with evidence demonstrating that

governance conditions shape the capacity of investment to generate productive and inclusive outcomes (Chinoda & Kapingura, 2024). Sustainable competitiveness depends on the integration of economic efficiency, institutional reliability, and social legitimacy within investment governance structures (Emon & Khan, 2023). The Indonesian experience indicates that strengthening the quality of investment law remains an essential component of achieving resilient and sustainable economic development.

CONCLUSION

The analysis demonstrates that Indonesia has established a progressively comprehensive investment legal framework through the development of statutory regulations, regulatory harmonization initiatives, and institutional reforms designed to enhance legal certainty, investor protection, and business efficiency. Despite these advancements, significant challenges remain in the form of regulatory fragmentation, administrative inconsistency, governance constraints, coordination deficiencies, and emerging regulatory demands associated with digitalization and sustainability standards. The findings indicate that the effectiveness of investment law is determined not only by the existence of legal norms but also by the quality of implementation, institutional capacity, and governance performance. A strong and coherent legal framework contributes to greater investor confidence, improved capital formation, industrial development, employment generation, financial sector expansion, and long term economic competitiveness. The study further confirms that legal certainty and regulatory quality function as strategic determinants of investment attractiveness and sustainable development outcomes. Strengthening institutional effectiveness, improving regulatory coherence, and enhancing governance accountability remain essential priorities for maximizing the developmental benefits of investment and supporting resilient economic growth in Indonesia.

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