Fakultas Hukum Universitas Riau, Jalan Pattimura Nomor 9 Gobah, Kel. Cinta Raja, Kec. Sail, Pekanbaru, Riau, Kode Pos 28127. Telp: (+62761)-22539, Fax : (+62761)-21695
E-mail: melayunesialaw@lecturer.unri.ac.id
Website: https://myl.ejournal.unri.ac.id

Impact of Foreign Direct Investment Policy on the Economy in Indonesia

M Yazhar Rayhan Al farrasy[a], Nur Hidayatul Fithri[b]
[a] Faculty of Law, University of Wijaya Putra, Indonesia, Email: rayhan.speed123@gmail.com
[b] Faculty of Law, University of Wijaya Putra, Indonesia, Email: nurhidayatulfithri@uwp.ac.id

Article Info

Article History:
Received : 15-02-2024
Revised : 10-06-2024
Accepted : 28-06-2024
Published : 30-06-2024

Keywords:
Economic Impact
Developing Countries
Investment Policy

Abstract

Given the large number of investors who are starting to be interested in the State of Indonesia, studies related to foreign investment legal policies need to be carried out. The specific purpose of this paper is to see how the economic impact of foreign investment in Indonesia will be. The method to be carried out is Normative Juridical with a legal approach. There are two types of investment in Indonesia, namely Domestic Investment and Foreign Investment. Foreign Direct Investment has a significant impact on economic growth in Indonesia, because foreign investment can create jobs, and opening new job opportunities in developing countries. FDI is one of the sources of state financial savings in line with the increasing economic increase due to investment from foreign parties who invest. With the existence of PMA, the government establishes policies that have been regulated in Law No. 25 of 2007 Article 4.

INTRODUCTION

Indonesia is one of the developing countries in the world, in its development Indonesia needs considerable capital in its national development, one way to make the Indonesian economy advanced is to invest. Investment is one of the indicators to see economic progress in Indonesia so that the government needs investors to help economic growth. In investment, the government not only needs investors from Indonesia but also from foreign countries. Indonesia is a country that is targeted by many investors because it has many interesting things, including a strategic location, a very large market, a vast and fertile area with abundant natural wealth. In addition, inflation, increasing exports and currency exchange rates in Indonesia also influence stable economic growth.

The type of investment in Indonesia is divided into two, namely domestic investment (PMDN) and foreign investment (PMA). This investment is distinguished because PMDN and PMA have different regulations for each investment actor. A Limited Liability Company (PT) can be said to have PMA status if all or part of its shares are owned by foreigners, and a company with PMA status can change after becoming PMDN if all shares in the company are owned by Indonesian shareholders. For Indonesia, FDI is very important for economic growth in Indonesia because the total investment in the country is more than 50% contributed by FDI.

Indonesia which is a host country is certainly attractive for foreign investors to invest in Indonesia because in addition to Indonesia has a variety of diverse natural resources and interesting cultures, labor and raw materials in Indonesia are relatively cheap and numerous, so this makes foreign investors interested in developing and investing in Indonesia. This is of course good because it encourages economic progress in Indonesia to be more advanced, even the government is trying to attract foreign investors by making every effort to invest in Indonesia[1]. In the implementation of foreign investment activities, there is a possibility of disputes between foreign investors and the Government of Indonesia. The dispute was caused by various reasons, including violations of investment contracts by investors or by the Government, revocation of investment business licenses by the Government, violations of investor rights stipulated in the Investment Law, and expropriation or nationalization of foreign investors[2].

In the Regulation that has been explained in article 1 Number 3 of Law Number 25 of 2007 concerning Capital Investment or hereinafter referred to as UUPM, PMA is an investment activity in the territory of the Republic of Indonesia carried out by foreign investors, both those who use fully foreign capital and those who are joint ventures with domestic investors. Furthermore, based on Article 1 Number 6 of the UUPM, what is meant as a foreign investor is an individual foreign national, foreign business entity, and/or foreign government that invests in the territory of the Republic of Indonesia[3].

As is known, that the law replaces its predecessor law, namely Law Number 1 of 1967 concerning Foreign Investment along with all its amending regulations. The reason the law was replaced was because the law was no longer in accordance with the challenges and needs to accelerate national economic development through the construction of national law development in the field of investment that is competitive and in favor of the national interest[4].

---

[1] Citra Trifena Go, "Analisis Ketidakpastian Hukum bagi pelaku penanaman modal asing", *Al Qodiri: Jurnal Pendidikan, Sosial dan Keagamaan* 19, no. 1 (April 2021): 398.

[2] Agung Sudjati Winata, "Perlindungan Investor Asing dalam Kegiatan Penananman Modal Asing dan Implikasinya Terhadap Negara", *AJUDIKASI : Jurnal Ilmu Hukum* 2, no. 2 (Desember 2018): 128.

[3] Rifqi Ananda Geelora Sitompul, "Perlindungan Hukum Terhadap Penanaman Modal Asing Dalam Menananmkan Modalnya di Indonesia Menurut Undang-Undang Nomro 25 Tahun 2007 Tentang Penanaman Modal", *Civilia : Jurnal Kajian Hukum dan Pendidikan Kewarganegaraan* 3, no. 2 (Mei 2023): 2-3.

[4] *Ibid*, 2.

Foreign Direct Investment (FDI) has become one of the main pillars in the economic development of developing countries, including Indonesia Alongside globalization and economic liberalization, policies regarding FDI have become an increasingly important topic in the international economic and legal agenda FDI, which involves the flow of capital from foreign investors to directly invest in businesses in the recipient country, is expected to provide various benefits, ranging from job creation to technology and knowledge transfer However, the impact of these policies on the domestic economy is not always easily predictable and often raises various legal challenges and questions.

In recent years, Indonesia has attracted the attention of foreign investors due to its relative political stability and large market potential Reports from the Investment Coordinating Board (BKPM) indicate that Indonesia has recorded a significant increase in foreign investment inflows, particularly in strategic sectors such as infrastructure and technology However, the impact of ILA on the domestic economy is not only reflected in the increased investment figures, but also in how existing policies and regulations affect the effectiveness and balance of outcomes obtained. Research conducted by the Central Statistics Agency (BPS) and studies by international institutions such as the World Bank reveal that while ILA can boost economic growth and create jobs, there are legal challenges that must be faced For example, issues related to regulations that are often inconsistent or inadequate can affect investment attractiveness and its impact on the local sector In addition, research by the IMF shows that ILA can exacerbate economic inequality if not accompanied by policies that regulate the fair distribution of benefits.

This article aims to conduct an in-depth normative legal study on the impact of ILA policies on the Indonesian economy The purpose of writing this article is to identify and evaluate the legal and economic effects of ILA policies on the Indonesian economy, with a focus on how existing regulations influence foreign investment outcomes and economic sustainability It assesses to what extent the policies implemented by the Indonesian government align with legal and economic principles that can optimize the benefits of foreign investment while mitigating potential risks It also identifies gaps or issues in existing regulations and provides recommendations for improvements to enhance the effectiveness of ILA policies.

This article offers a fresh perspective on ILA policy by emphasizing the regulatory and legal dimensions that are often overlooked in pure economic studies Unlike other research that typically focuses on economic aspects, this article integrates regulatory analysis to provide a more holistic view of the legal impact of ILA policies This innovation includes identifying and analyzing gaps in ILA regulations that can affect policy effectiveness and investment outcomes It also provides legal-based recommendations for improving investment policies to maximize the economic benefits of ILA. In this study, several relevant legal theories are used to provide a comprehensive framework for analyzing how law can function as a tool to create conducive conditions for foreign investment, as well as identifying the role of law in addressing potential conflicts between domestic and foreign interests. Based on this background, it is interesting to examine how the impact of foreign investment policy on the Indonesian economy.

This research uses the type of Normative Juridical research and statutory approach. (Statue Approach) by reviewing the legal norms contained in legal provisions relating to the subject matter discussed. Using primary legal material, namely by reviewing the legal norms contained in legal provisions related to the subject matter discussed. By using legal basic documents, this research includes legal basic documents (Law No. 25 of 2007 concerning Investment). While secondary legal documents include books, magazines, articles, resumes and other secondary legal documents that are certainly relevant to research.[5] These legal documents are analyzed descriptively and qualitatively so that conclusions can be drawn based on the formulation of the research problem.[6]

FOREIGN INVESTMENT LEGAL POLICY IN INDONESIA

In article 1 of Law Number 25 of 2007 concerning Investment, Domestic Investment is the activity of investing capital to do business in the territory of the Republic of Indonesia carried out by domestic investment using domestic capital. Parties that can become Domestic Investment are: 1.) Individuals Indonesian citizens, and or; 2.) Indonesian Business Entity, and or; 3.) Indonesian Legal Entity.

Domestic Investment (abbreviated in Indonesian as "PMDN") based on Article 1 of Law Number 25 of 2007 concerning Investment, namely investment activities to do business in the territory of the Republic of Indonesia carried out by domestic investors using domestic capital. The definition of domestic investors is an individual Indonesian citizen, an Indonesian business entity, the State of the Republic of Indonesia, or a region that invests in the territory of the Republic of Indonesia. The Indonesian business entity referred to here can be in the form

---

[5] Jhonny Ibrahim, *Teori Dan Metodologi Penelitian Hukum Normatif*, (Malang : Bayumedia Publishing, 2012), 215-217.

[6] Peter Mahmud Marzuki, *Penelitian Hukum Edisi Revisi*, Cet-11, (Jakarta: Kencana Prenada Media Group : 2019), 135.

of a limited liability company. Based on Article 5 paragraph (1) of the UUPM, it is explained that PMDN can be carried out in the form of a business entity in the form of a legal entity, not a legal entity, or an individual business, in accordance with the provisions of laws and regulations. Article 5 paragraph (3) of the UUPM further explains, domestic and foreign investors who invest in the form of PT are carried out by doing the following:

1.) take shares at the time of establishment of the limited liability company;
2.) buying shares; and
3.) conduct other ways in accordance with the provisions of laws and regulations.[7]

It can be seen in Article 1 Number 3 of Law Number 25 of 2007 concerning Capital Investment formulates the definition of foreign investment as an investment activity to do business in the territory of the Republic of Indonesia carried out by foreign investors, both those who use fully foreign capital and those who are joint ventures with domestic investors.

Investment activities are activities to enter capital or investment with the aim of carrying out a business activity. This investment activity is carried out by foreign investors, both those whose capital is owned by foreign parties and whose capital is a joint venture between foreign parties and domestic parties. Foreign investment through joint ventures is foreign capital that cooperates with domestic investment, provided that foreign parties control a maximum of 95% of capital, while domestic investors have a minimum of 5% of capital[8].

The basic investment policy is embodied in the form of the General Investment Plan (RUPM). The government has issued Presidential Regulation Number 16 of 2012 concerning the General Plan of Capital Investment (hereinafter referred to as Perpres 16/2012). The RUPM is a long-term investment planning document valid until 2025 and becomes a reference for Ministries/Non-Ministerial Government Institutions in formulating policies related to investment activities. The RUPM functions to synergize and operationalize all interests so that there is no overlap in setting priorities for sectors to be developed and promoted through investment activities.

The government establishes basic investment policies to encourage the creation of a conducive national business climate for investment to strengthen national economic competitiveness and accelerate investment increase. The basic investment policy is proclaimed

[7] Wikipedia.org, “Penanaman Modal Dalam Negeri”, https://w.wiki/8abU , diakses 22 Desember 2023.
[8] Agung Sudjati Winata, “Perlindungan Investor Asing dalam Kegiatan Penananman Modal Asing dan Implikasinya Terhadap Negara”, *AJUDIKASI : Jurnal Ilmu Hukum*, 2, no. 2 (Desember 2018): 128.

in Article 4 of Law 25/2007. According to Article 4 paragraph (2) of Law 25/2007, the government in determining the basic investment policy, must:

1. Give equal treatment to domestic investors and foreign investors while taking into account national interests.
2. Ensuring legal certainty, business certainty, and business security for investors from the licensing process until the end of investment activities in accordance with the provisions of laws and regulations.
3. Open opportunities for development and provide protection to MSMEs and Cooperatives[9].

In business activities that start from unknown sources, capital speculation has the ability to utilize financial assets to produce products to solve problems. user. Because both investors and the state both receive capital gains from the presence of investors there, this condition is beneficial for both parties. Although it brings benefits to countries that obtain capital, funders who will contribute their capital cannot be separated from the direction of their business (business order) so that they will contribute so that they can be well protected and create profits. In addition, investors also consider non-monetary variables by conducting leading explorations, such as practical studies, both from a legal, monetary, and political point of view. These variables can guarantee the creation of a favorable climate to continue work in the destination country[10].

IMPACT OF FOREIGN DIRECT INVESTMENT POLICY ON THE ECONOMY IN INDONESIA

We can know that foreign investment that provides capital to other countries can be said to benefit from the investment. In its advantages obtained from several factors, one of which is, such as close to the source of raw materials, a wide new market, cheap wages for employees or labor, and selling technology.

In the era of an advanced industrial economy like today, foreign capital is one of the many sources of capital that can be used by various developing countries to achieve their long-term and long-term goals. The main reason a country invites foreign capital to its territory is for economic growth to expand employment opportunities. Then after that, with the influx of

---

[9] Mas Rahmah, *Hukum Investasi*, (Jakarta timur: Kencana, 2020), 68.
[10] Vivi Putri Rafely, "Perlindungan Investor Asing Pasca Lahirnya Undang- Undang Cipta Kerja", *Unnes Law Review* 5, no. 4 (Juni 2023): 2259.

foreign capital, other objectives are targeted, such as the process of developing an industry with import replacement to minimize or save foreign exchange, providing export support that is not oil and gas to be able to earn foreign exchange, technology transfer, infrastructure development, and developing underdeveloped areas[11].

In Indonesia, the element of legal certainty in FDI activities is explicitly or directly regulated in the UUPM. The Indonesian government issued the regulation in order to explain the legal certainty provided to investors in Indonesia through PMA agreements, so that they can feel safe to carry out various activities as they should. Based on the General Explanation, Article 14a of the UUPM provides an explanation that the certainty of hulum is the placement of a law and also the order of the rules of the Law which is used as the main guideline in every condition when investment is given by the government and has become a guarantee.

Furthermore, if discussing the element of legal certainty, it will be closely related to the element of certainty of protection. In the context of UUPM, protection that has certainty is the provision of guarantees from the government to the part of investors (including foreign investors in it) to obtain security guarantees in the process of activities carried out by investors. Certainty of protection here includes legal protection for investors. Legal protection is something sought by the government for the authorities through several existing regulations[12].

The legal basis for investment based on the principles of investment law needs to carry an important mission for the country's economic development process. First, the economic potential of the country that has not been transformed into a strong and tangible economy due to the lack of initial costs, experience and technology. Second, transforming Indonesia's potential economic strength into a strong and real economy can only be done by investing capital. Third, capital mobilization needs to be carried out optimally to encourage economic development. Not to mention the economic sector that regulates people's living standards. There are also many places that are open to foreign investors, but not 100% foreign capital, such as ports, electricity, telecommunications, drinking water, aviation, media and others[13]. Unfortunately, this open-door policy lasted only a short time.

Discussions related to FDI are included in Law of the Republic of Indonesia No. 25 of 2007 which is based on Article 1 paragraph (1), which means that all of the initial cost planting

[11] *Ibid*, 5
[12] *Ibid*, 6-7
[13] Marthen Arie, *Hukum Penanaman Modal Asing*, (Yogyakarta: PT. Nas Media Indonesia, 2022), 11.

activities, both through PMDN and PMA are explained to make an activity in the territory of the Unitary State of the Republic of Indonesia. If from Paragraph 3 Article 1 of the Investment Law, PMA is an investment activity that aims to carry out activities in the territory of the Unitary State of the Republic of Indonesia and is carried out by foreign investors, even using all foreign capital or joint ventures with domestic investors. The journey from international capital flows in the form of portfolio investment, where there are countries that become investors by providing loans to countries that apply for other loans.

Direct investment or other designations are the implications of investing providing temporary capital flows to certain groups to get higher returns in the form of low-risk stock purchases. Direct investment decisions can be taken, the first of which includes the use of foreign company licensing contracts for production activities. Second, sell the final product directly. Third, investment activities that are directly to make subsidiaries of the company will experience development. According to this parable, investment activities are basically oligopolistic production as suppliers or suppliers to the domestic market. In the past, direct investment was aimed at managing local natural resources that were expected to dominate the international market. But the era of globalization that is progressing very quickly has encouraged every country to regulate itself. Moreover, countries on the ASEAN continent, Indonesia is no exception[14].

Sujud Margono (2022) believes that there is at least something interesting that makes foreign investors give confidence to give their shares for capital to Indonesia, namely because:

a. Work-related.
   Salaries from workers are said to be cheap. Of course, this will reduce the funds that are part of the manufacture or production. The existing phenomenon also explains that developing countries are owners of quite a lot of labor.
b. Natural resources are very easy to obtain.
   Developed countries are very minimal with the name of raw materials, no wonder Indonesia is also a prima donna when developed countries are in need of raw materials because of the great natural wealth owned by Indonesia.
c. The process of searching for new consumer territories.

[14] Azzalina Alsavira, "Implikasi Penanaman Modal Asing (PMA), Penanaman Modal Dalam Negeri (PMDN) Terhadap Tenaga Kerja dalam Meningkatkan Pertumbuhan Ekonomi Kota Surabaya", *Jurnal Magisma* 9, no. 1 (April 2022): 3-4.

In addition to investment, foreign investors are also trying to access local consumer markets in developing countries. They capitalize by selling products but come with offers to spare.

d. Licensing and technology transfer.

Foreign investment is often accompanied by technology transfer and often licensing mechanisms. The processing of the transfer of a technology can occur by means of permission for intellectual wealth.

e. Service and the presence of bonuses.

Services in Indonesia can also make investors interested in entrusting to invest their capital.

If there is something new and will have an impact on certain variables, then there will be terms and conditions to apply so that there is comfort and safety in the process. Like PMA in Indonesia, it also has special conditions such as:

a. PMA in Indonesia must be in the form of a limited liability company.
b. Provisions for the application of restrictions on a matter, for example limits on shares owned. Stocks that are included in the Negative Investment List (DNI) are strictly prohibited and restricted for foreign investors.
c. Reconstruction from PT. PMA is based on applicable law in Indonesia, with exceptions that have been determined from the Law.
d. There is attention to the nationality of the founder of PT.
e. Supervision of the organizational structure
f. No non-genuine information is prohibited
g. There is a prohibition to blind an agreement on share ownership and must be in one's own name.
h. There are specific requirements for the field of employment.
i. Need to handle yourself related to a problem, it must be taken from activities deliberately.
j. The business field is open to all, with the exception of business fields that are already closed.
k. There is an understanding of the rights, obligations, and responsibilities of investors.
l. The government will provide a service for investors if it meets the conditions in paragraph 2
m. For residence permit, only 2 years.
n. The list of capital for investors is in the "Regulation of the Head of Investment Coordination (BKPM) Number 14 of 2015".[15]

[15] Indah Sari, "Syarat-Syarat Penanaman Modal Asing (PMA) di Indonesia Menurut Undang- Undang Nomor 25 Tahun 2007 Tentang Penanaman Modal", *Jurnal Ilmiah Hukum Dirgantara* 10, no. 2 (Maret 2002): 61-72.

The policy that can be done by the Indonesian side in relation to FDI is the application of taxes. Taxes certainly play an important role in state budget revenue, therefore the policy of providing bonuses or additions to taxes whose income is good is carried out carefully, because providing additional bonuses or inappropriate incentives will only reduce cost income without expanding business capital. That is, decisions related to investment are not influenced much and influenced by the incentives that have been given from income tax. There are different things that investors consider when making speculation choices, such as ease of obtaining grants, size of the domestic market, access to the international business sector, social and security conditions, and accessible human resources[16].

One of the policy programs related to FDI is to change the concept related to revenue sharing and it was carried out in 2017, especially with the issuance of "ESDM Minister Regulation Number 8 of 2017" related to Total Product Sharing Contracts (Total CFP Regulation is divided). The concept of traditional production sharing contracts (cost recovery PSCs) is regulated in Government Regulation Number 79 of 2010 concerning Reimbursement of Operating Costs and Income Tax Treatment in the Upstream Oil and Gas Sector (PP 79/2010).[17] In addition, there is also an applicable policy, namely the Job Creation Law (Law No. 11 of 2020) in which is the idea of establishing an Omnibus Law. However, in its formation, it experienced an obstacle and there were pros and cons because considering that the content could not be in accordance with the needs of the existing problems.

Indonesian Minister of Finance Sri Mulyani stated that Indonesia's economy is higher than countries generally in Southeast Asia. Of course, it has been shown through the results of the economic improvement last year. Data from the Central Statistics Agency (BPS) shows that the rate of increase of the economy in Indonesia is negative 2.07% compared to the same period last year. This decrease is higher if done by comparison with the general increase in economics from the ASEAN region. In the long run, the government gradually and continuously seeks to provide speculative incentive power that can attract investors by reducing funds for the production process through minimization of costs and other systems (e.g. No. 144/PMK.011/2012 and No.76/PMK.011/2012).

---

[16] *Ibid*, 64.

[17] Nandang Sutrisno dan Sigar Aji Poerana, "Reformasi Hukum dan Realisasi Investasi Asing pada Era Presiden Joko Widodo", *Jurnal Hukum* 3, no. 2 (2020): 248.

The implementation of improving community groups in development requires very large costs and requires funds that can help, so that the allocation needs do not only come from domestic sources, but can be obtained or come from abroad as business capital, because the beginning of funding is to help improve the community in the area. In fact, foreign capital is one of the important sources of financing needed. The large role of foreign organizations (FDI) in carrying out the country's economic development is certainly becoming increasingly clear. Although there are still some practical weaknesses, for example the absence of administration from administrative implementing agencies related to the use of unknown experts (TKA) that is too high and not in accordance with material rules in foreign organizations, and not all results obtained will be exchanged. Through exports, organizations with foreign capital are also expected to direct and control halal materials in accordance with the principles of the organization to the maximum and not harm the interests of the Indonesian state. In general, there has been an increase due to legitimate concerns towards foreign investors in Indonesia, although this has not been stable as it still faces highs and lows caused by various perspectives. , both interior and exterior. Since these investments are essentially long-term activities, the role of public authorities in welcoming financial backers to invest resources in Indonesia will help attract those financial backers and have an impact when foreign investors' attention declines. when money-related movements have been made and there has been an increase in monetary value[18].

Speculation carried out through trading activities by foreign capital owners is not only useful for increasing the volume of international trade that is foreign to Indonesia as a recipient of capital, but also useful for the country of origin. In today's conditions, there are some creative things such as innovations that are not the same as the country of origin, which can be sold in Indonesia. As global innovation developed, new methods to facilitate international technology exchange were developed, resulting in technological innovation. As per the non-industrialized countries certainly expect not only useful imports of foreign machinery technology, but also efforts to make mechanical flow an innovative flow for local (domestic) organizations, in empowering or growing foreign speculation.[19] Even so, in recent years, the ongoing Coronavirus pandemic around the world has hindered the recognition of foreign interest in

[18] Maya Rosmayanti dan Rani Apriani, "Kedudukan Penanaman Modal Asing Terhadap Pertumbuhan Ekonomi Nasional Berdasarkan Hukum Investasi". *Jurnal Panorama Hukum* 8, no. 1 (Juni 2023): 4-5.
[19] *Ibid*, 6.

Indonesia. In this regard, some foreign capital owners have postponed their expectations and some have chosen not to contribute. It is possible that foreign capital owners who currently have the goal of placing assets into business in organizations in certain fields will also take similar steps. Although there are advantages and disadvantages of Foreign Direct Investment (FDI) guidelines, the benefits for the country and society are nothing compared to these issues. In addition, to stem this problem, the ruler's capital is needed, especially to restore disasters that have long been imagined in several points of view such as the economy, human resources (HR), environmental damage, socio-political pressure, and even the military.

(Article 6) UUPM is an agreement to ensure that all foreign investors from various countries who invest in Indonesia get the same service. This is also a form of recognition of Article 3 paragraph (1) letter (d) that business is completed based on equal and unsegregated treatment standards between countries of origin, which includes impartial assistance treatment in view of legal guidelines, both between financial supporters. financial backers of domestic origin and unknown as well as between financial backers from one outside country and financial backers from another distant country.

(Article 7) The UUPM contains guidelines on nationalization and payment measures. Thus, public authorities are allowed to nationalize or confiscate capital assuming it depends on the law. As a direct result of this, the government will also provide compensation with an amount that is considered in accordance with the price paid by the market. However, if the assembly is unable to reach an agreement on remuneration, discretion will be exercised in an attempt to determine it.

(Article 8 and Article 9) The UUPM regulates the exchange of resources and the opportunity to make moves and take home unknown cash. This game plan has the consequence that funders are allowed to transfer responsibility to potential meetings or profits from resource offers, but still conform to appropriate rules and guidelines. So when there are resources that do not comply with the guidelines, they will be resources that are limited by the state[20]

However, apart from the legal guarantees that have been provided by the Indonesian government, it should also necessitate legal remedies to identify disputes that may occur by foreign investors in the event of violations, arguing that during the exercise of foreign interests in Indonesia, problems may also arise among unidentified financial backers. with domestic or

---

[20] *Ibid*, 11.

government investors. Based on Article 27 and Article 28 of the Law, the government must coordinate with the Investment Coordinating Board which has the following objectives: 1) Establish guidelines and standards for the implementation of activities and procedures for investment services; 2) Carry out obligations and regulate strategy and administration in the business field; 3) Combining several interests and business capacities in the area to develop the business further; 4) Audit and propose business administration strategies; 5) Business start-up capital; 6) Provide assistance to overcome obstacles and guide problems seen by investors in resolving speculation activities; 7) Set up and coordinate integrated services from a single location; 8) Organizing domestic funders who complete their speculative activities outside the territory of Indonesia; 9) Create Indonesian speculation guidelines; Furthermore,10) Expand the business field in speculation exercises through strengthening venture capital, by expanding seriousness, forming great business competition, forming organizations, and offering this type of assistance as data in the climate of impartial speculation implementation.

The government can also reach consensus with the disputing parties through consensus deliberation, arbitration, and other options. The same is also stipulated in Article 32 of the Speculation Regulations. Disputes between investors and the government in the field of investment must first be resolved through deliberation and consensus. If a goal cannot be achieved, international mediation can be carried out which must be resolved through meetings, or elective settlements outside the court in accordance with legal agreements.

Assuming we see possible obstacles when planning finances, especially for foreign funders, in addition to real weaknesses, public experts face a variety of other obstacles. The Job Creation Law was proclaimed in Indonesia as a positive regulation to work out the reference to the previous guidelines. Legal conviction is not the main effort that can defeat the bad business climate in Indonesia, because business-related problems vary and it takes a lot of thought from public experts and all parties to overcome some of the obstacles that occur in the Indonesian economy. supporter. Progressively, legal certainty Legality is a major component in building a smart business climate, considering that with clear legal guidelines, the economy can be built based on legal foundations.

Due to Indonesia's status as a developing country, it is stated that large funds are needed to carry out comprehensive development throughout the country. Endless offices must be built and owned, because this requires a lot of funds, while domestic resources are also very limited, so in this way government officials invite foreign capital owners as an option to expand their salaries. in the country. The guidelines passed at the end of 2020, especially Regulation Number 11 of 2020 concerning Job Creation, state that there is an institution that is able to implement the framework approach and provide administrative assistance in the business sector, namely the Speculation Organizing Agency (BKPM) (Guidelines of the Speculation Planning Agency of the Republic of Indonesia Number 4 of 2021 concerning Rules and Procedures for Business License Administration and Hazard-Based Speculation). This is believed to increase business value growth and open doors for business actors among Miniature, Small and Medium Enterprises (MSMEs). The Job Creation Law is also believed to facilitate business operations and encourage investment diversity. Unusual speculation can be exploited by non-industrialized countries to encourage financial development and offset the higher pace of development through major and ongoing changes, the design and activation of subsidy centers for fundamental change[21]. Foreign speculation can address any issues between investment fund inventories, foreign trade holdings, government revenues and executive information regarding beneficiary countries, as well as supply levels expected to achieve monetary development and improvement goals. As a result, the influx of foreign capital will encourage economic expansion. The more foreign capital that enters, the higher monetary development will be. The presence of foreign investors gets a lot of capital, but it also has benefits such as information movement, innovation movement, mastery and skills in various fields, as well as company administration and board performance.

Many benefits can be obtained from foreign interest in Indonesia. Adding new capital to fund various underfunded sectors is one of them. This foreign speculation also opens many new job openings to reduce unemployment. In addition, technology transfer is often required for the influx of foreign investment. They brought new mechanical information to Indonesia, which would eventually be created in Indonesia as well. Foreign investors are also open to collaborate with MSMEs (Ministry of Micro, Small and Medium Enterprises). The combination of MSMEs will certainly empower regional financial development. MSMEs or domestic businesses also have a great opportunity to sell their products in the global market. The most obvious benefit of the unorthodox speculation is that it can increase state salaries through levies. In addition, this makes the financial relations between the two countries more stable. Speculation is an important sign of economic growth, and has an impact on highly dynamic

[21] Jihan Karina Putri dkk, "Peran Penanaman Modal Asing dalam Membangun Perekonomian di Indonesia", *JOSR: Journal of Social Research* 1, no. 3 (Februari, 2022): 206.

production processes in organizations, which also has an impact on increasing family utilization.

National infrastructure development is positively correlated with investment that contributes to economic recovery. According to Indayani and Hartono (2020), the government's efforts to encourage development are supported by an increase in GDP. Contributing also further develops the business climate. The more speculations made, the more new organizations will be formed. This can have an impact on the number of workers absorbed and the number of jobs available, help purchasing power growth, help Indonesia's economic growth, and prevent future declines.[22]

According to (Adianto, 2011), foreign investment has many advantages compared to portfolio flows, foreign investment is generally more stable and can add to the interaction of creation compared to portfolio flows. In addition, it can also provide useful potential for countries to obtain funding to empower the entry of foreign businesses, especially as foreign organizations influence further innovation brought by these organizations from their own countries. Foreign speculation can increase competition in a country's economy. The presence of new organizations outside the stock exchange area can increase yields and also reduce the level of domestic costs. So this effect will expand government assistance to the community.[23]

Foreign speculation greatly impacts the rate of economic growth of a country, as foreign investment can be utilized by non-industrialized countries such as Indonesia as an excuse to accelerate speculation and economic growth. In addition, the structure of production and trade will change if economic growth continues to accelerate. As a result, the movement of funds and structural transformation can benefit greatly from foreign capital. The need for foreign capital will decrease assuming fundamental changes.

Long-term labor productivity increases as a result of foreign direct investment. This can be explained by the fact that productivity will increase as a result of human development. In general, investors prefer useful areas of production. This efficiency is expected to attract foreign funders to donate their assets locally. According to Korhan et al. (2018) which states that the impact of foreign direct investment is a complex problem, this is because the two things are interrelated with each other. According to Fierro et al. (2018), the human development index

[22] *Ibid*, 209-210.
[23] Trismafara Zabilla Buciarda, Wiwin Priana, Muhammad Wahed, "Analisis Pengaruh PMA, PMDN dan Konsumsi Rumah Tangga Terhadap Pertumbuhan Ekonomi di Kota Surabaya", *Jurnal Syntax Admiration* 2, no. 6 (Juni 2021): 1185-1186.

will have a greater impact on social, cultural, and economic factors if it is higher. Assuming the economic improvement improves, it is conceivable that the country will enter an experienced working class, so more domestic capital will be used for speculation both at home and abroad. Since the domestic investment requirements have been met, the country will invest most of its funds abroad. Other countries will receive investments from the excess funds. Because, if the HDI is high and economic growth is high, the nation will be remembered in the classification of developed countries.

Developed countries that have a record of high increase in human resources and good financial development contribute a lot of their assets abroad. China, the United States, Japan, and other countries are examples of developed countries. The United States is a country that has not received much financial support and is the largest recipient of direct investment (Bosses, 2018). In addition, labor costs in developing countries are lower, which is why foreign investors usually choose such countries. If the data of human progress is high, the cost of work is also high. This is because human resources have more expertise and skills.[24]

Interest in a country can arise from domestic speculation or foreign ventures. PMDN and FDI that have met the objectives will have a significant impact on the nation's economy. Direct investment, for example purchasing an asset or starting a business, or indirect investment, with the example of investing in the capital market, are examples of this type of investment. Economic growth and foreign direct investment (FDI) are linearly. The presence of foreign investment and the implementation of various projects to prevent inflation can support this statement.

The presence of FDI has a significant impact on increasing the ability to reduce the unemployment rate problem in Indonesia.[25] Mariska et al (2022) stated that FDI greatly affects economic growth, where foreign investors can provide a source of economic improvement by encouraging innovations that are useful for expanding creativity, developing frameworks and opening potential business opportunities. Bambang et al (in Fatimah et al, 2022) agreed that FDI affects monetary developments in the Special Region of Yogyakarta. Unfamiliar Direct Venture (PMA) influenced the increase of finance in Makassar City in 1998-2007. Foreign investment has the potential to provide new skills to developing countries and create jobs,

[24] Yunita Astikawati dan Avelius Dominggu Sore, "Pengaruh Indeks Pembangunan Manusia dan Pertumbuhan Ekonomi Terhadap Investasi Asing di Indonesia", *Pacioli: Jurnal Kajian Akutansi dan Keungan* 1, no. 1 (Januari, 2021): 20.
[25] *Ibid*, 73.

thereby reducing unemployment. Because foreign investors increase economic growth by investing their capital, they can be used as term savings. Meanwhile, assuming foreign interest in a country continues to increase, this can bring financial progress to that country. In addition, if foreign direct investment (FDI) decreases, then the level of financial development of a country will decrease. Understandably, the two are very close to each other and exert a significant influence on each other. [26]

CONCLUSION

From the results of the literature review of research findings related to the effect of foreign investment on economic growth, as explained, the following conclusions can be drawn, First, based on in-depth analysis of the impact of Foreign Direct Investment (FDI) policy on the Indonesian economy, it can be concluded that this policy has significant effects both in positive aspects and challenges Generally, FDI contributes positively to Indonesia's economic growth through increased capital inflows, job creation, and technology transfer. However, behind these benefits, there are challenges that must be faced Research shows that dependence on foreign investment can pose risks, such as inequality in the distribution of benefits between different sectors and social layers Regulatory issues, such as legal uncertainty and inconsistent policies, can also hinder the effectiveness of investment These challenges require special attention to ensure that the benefits of foreign investment can be maximized without significant negative impacts.

Secondly, despite the various benefits of FDI, there are significant challenges that need to be overcome Excessive reliance on foreign investment can pose risks, such as inequality in benefit distribution and dependence on foreign capital that may affect economic stability Additionally, regulatory issues such as legal uncertainty and inconsistent policies can hinder investment effectiveness and create barriers for investors.

ADDITIONAL SECTION

[26] *Ibid*, 74.

This article is the result of research that would never have been possible without the incredible support of My supervisor is Mrs. Nur Hidayatul Fithri S.H., M.H.

REFERENCES

Alsavira, A. “Implikasi Penanaman Modal Asing (PMA), Penanaman Modal Dalam Negeri (PMDN) Terhadap Tenaga Kerja Dalam Meningkatkan Pertumbuhan Ekonomi Kota Surabaya”. *Magisma: Jurnal Ilmiah Ekonomi dan Bisnis 9*, no. 1 (2021): 01-11.

Arie, Marthen. *Hukum Penanman Modal Asing*. Yogyakarta: PT. Nas Media Indonesai, 2022.

Astikawati, Yunita dan Avelius Dominggu Sore. “Pengaruh Indeks Pembangunan Manusia dan Pertumbuhan Ekonomi Terhadap Investasi Asing di Indonesia”. *Pacioli: Jurnal Kajian Akutansi dan Keuangan* 1, no.1 (2021): 15-21.

Buciarda, Trismafara Zabilla, Wiwin Priana, Muhammad Wahed. “Analisis Pengaruh PMA, PMDN dan Konsumsi Rumah Tangga terhadap Pertumbuhan Ekonomi di Kota Surabaya”. *Jurnal Syntax Admiration* 2, no. 6 (2021): 1176-1190.

Go, Citra Trifena. “Analisis Ketidakpastian Hukum bagi pelaku penanaman modal asing”. *Al Qodiri: Jurnal pendidikan, Sosial dan Keagamaan* 19, no. 1 (2021).

Ibrahim, Jhonny. Teori dan Metodologi Penelitian Hukum Normatif. Malang: Bayumedia Publishing, 2012.

Marzuki, Peter Mahmud. Penelitian Hukum. Edisi Revisi Cet-11. Jakarta: Kencana Prenada Media Group, 2019.

Rahmah, Mas. Hukum Investasi. Jakarta: Kencana, 2020.

Peraturan Kepala Koordinasi Penanaman Modal (BKPM) Nomor 14 Tahun 2015 Tentang Pedoman Dan Tata Cara Izin Prinsip Penanaman Modal.

Peraturan Menteri ESDM Nomor 8 Tahun 2017 Tentang Kontrak *Gross Split*.

Peraturan Pemerintah Nomor 79 Tahun 2010 Tentang Biaya Operasi Yang Dapat Dikembalikan Dan Perlakuan Pajak Penghasilan Di Bidang Usaha Hulu Minyak Dan Gas Bumi.

Peraturan Menteri Keuangan Nomor 76/PMK.011/2012 Tahun 2012 tentang Perubahan atas Peraturan Menteri Keuangan Nomor 176/PMK.011/2009 tentang Pembebasan Bea Masuk atas Impor Mesin Serta Barang dan Bahan untuk Pembangunan atau Pengembangan Industri dalam Rangka Penanaman Modal.

Peraturan Menteri Keuangan Nomor 144/PMK.011/2012 tentang Pemberian Fasilitas Pajak Penghasilan Untuk Penanaman Modal Di Bidang-Bidang Usaha Tertentu Dan/Atau Di Daerah-Daerah Tertentu.

Putri, Jihan Karina, dkk. "Peran Penanaman Modal Asing Dalam Membangun Perekonomian di Indonesia". *Journal of Social Research* 1, no. 3 (2022): 201-212.

Rafely, Vivi Putri. "Perlindungan Investor Asing Pasca Lahirnya Undang-Undang Cipta Kerja". *UNES Law Review* 5, no. 4 (2023): 2255-2266.

Rosmayanti, Maya dan Rani Apriani. "Kedudukan Penanaman Modal Asing Terhadap Pertumbuhan Ekonomi Nasional Berdasarkan Hukum Investasi". *Jurnal Panorama Hukum* 8, no. 1 (2023): 1-16.

Sari, Indah. Pendapat Hukum/ Legal Opinion Penanaman Modal Asing. Jakarta: Indah Sari Law Office, 2020.

Sari, Indah. "Syarat- Syarat Penanaman modal Asing (PMA) di Indonesia Menurut Undang-Undang Nomor 25 Tahun 2007 Tentang Penanaman Modal". *Jurnal Ilmiah Hukum Dirgantara* 10, no. 2 (Maret 2002): 50-75.

Sitompul, Rifqi Ananda Geelora. "Perlindungan Hukum Terhadap Penanaman Modal Asing Dalam Menananmkan Modalnya di Indonesia Menurut Undang-Undang Nomro 25 Tahun 2007 Tentang Penanaman Modal". *Civilia : Jurnal Kajian Hukum dan Pendidikan Kewarganegaraan* 3, no. 1 (2023).

Sutrisno, Nandang dan Sigar Aji Poerana. "Reformasi Hukum dan Realisasi Investasi Asing pada Era Presiden Joko Widodo". *Jurnal Hukum* 3, no. 2 (2020): 237-266.

Undang-Undang Nomor 11 Tahun 2020 Tentang Cipta Kerja

Undang-Undang Nomor 25 Tahun 2007 Tentang Penanaman Modal.

Winata, Agung Sudjati. "Perlindungan Investor Asing dalam Kegiatan Penananman Modal Asing dan Implikasinya Terhadap Negara". *AJUDIKASI: Jurnal Ilmu Hukum* 2, no. 2 (2018).