Research Article

Law and Regulatory Certainty: An Analysis of Its Impact on the Investment Climate and Business Governance in Indonesia

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ABSTRACT

Legal reform is an important way to create regulatory certainty which improves the investment climate and business governance in Indonesia. Yet complexity and disharmony in regulation, inconsistent policy implementation and weak institutional coordination still hinder legal certainty for businesses. The objective of this research is to analyse the implementation of legal reforms in achieving regulatory certainty, to determine the impact of the legal reform on the investment climate and business governance in Indonesia. The research uses a normative legal research approach with descriptive-analytical specifications through legislative, conceptual, and analytical approaches. The data used is in the form of secondary data obtained through literature studies, then analyzed qualitatively through the interpretation and synchronization of laws and regulations. The results of the study show that legal reform has encouraged the simplification of regulations, digitization of services, and improvement of the licensing system, but its effectiveness is still constrained by regulatory disharmonization, inconsistency of implementation, and weak institutional coordination. Regulatory certainty has been proven to increase investor confidence, support ease of doing business, strengthen the implementation of good governance, and increase national investment competitiveness. Therefore, strengthening regulatory harmonization, consistency of law enforcement, and institutional reform are the main prerequisites in creating a sustainable investment climate and more effective governance of the business world.

Keywords: Legal Reform; Regulatory Certainty; Investment Climate; Business World.

A. INTRODUCTION

In the increasingly competitive development of the world economy, each country has to create a favourable investment climate, which implies the existence of a legal system capable of guaranteeing certainty, justice and benefits. Investment plays a strategic role as one of the driving forces for economic growth, job creation, increasing the national competitiveness, and accelerating sustainable development in the national development context (Emako, Nuru & Menza, 2022). For Indonesia, abundant natural resource potential, large population and strategic geographical position are important assets in attracting investment. However, the magnitude of this potential has not been fully able to provide optimal attraction if it is not supported by a stable, consistent, and reliable legal and regulatory system that provides certainty for business actors.

Reality shows that Indonesia still faces various problems in regulatory governance. The complexity of laws and regulations, the overlap of policies between sectors and between levels of government, relatively rapid regulatory changes, and weak harmonization between regulations are the main challenges in creating legal certainty (Setyawan et al., 2025). This condition has an impact on increasing compliance costs, slow licensing processes, high legal risks in business activities, and declining levels of investor confidence in government policy stability (Taufik & Dewi, 2020). As a result, the business world faces uncertainty in developing long-term investment strategies that have the potential to reduce Indonesia's competitiveness amid global investment competition.

In response to these problems, the Indonesian government has implemented various legal reform agendas through regulatory simplification, bureaucratic reform, digitization of public services, and the implementation of a risk-based licensing system. These reforms are accommodated through several regulations, particularly Law Number 6 of 2023 concerning the Stipulation of Government Regulation in Lieu of Law Number 2 of 2022 on Job Creation into Law and Government Regulation Number 5 of 2021 concerning Risk-Based Business Licensing. These regulations aim to simplify licensing procedures, improve legal certainty, strengthen institutional governance, and enhance the ease of doing business in Indonesia (Singgir et al., 2025). The legal reform is expected to be able to create regulations that are simpler, more effective, and adaptive to the dynamics of economic development, while strengthening legal certainty, improving the quality of governance, and creating a more competitive investment climate (Pardede, 2023). However, the implementation of legal reform still faces various challenges, especially related to consistency in policy implementation, synchronization between regulations, institutional coordination, and the effectiveness of law enforcement (Arifin, 2023). Thus, legal reform is not only required to produce normative changes in the formation of regulations, but must also be able to ensure consistent implementation so as to provide a sense of security for the business world.

The study of legal reform and regulatory certainty in this study is based on several complementary theoretical foundations. According to Gustav Radbruch, legal certainty is one of the three fundamental values of law, alongside justice and expediency, which requires legal norms to be clear, consistent, and enforceable. Similarly, Hans Kelsen, through the Pure Theory of Law, emphasizes that legal certainty is achieved when legal norms are systematically arranged in a hierarchical legal order and applied consistently. Therefore, the Legal Certainty Theory explains that the law must provide clarity of norms, consistency in their application, and protection of the rights and obligations of every legal subject (Ostapenko, 2023). In the context of investment, legal certainty is one of the main determinants that affects the level of investor confidence in the stability of government policies (Shcherbanyuk, Gordieiev, & Bzova, 2023). Furthermore, the Rule of Law Theory emphasizes that all government actions must be based on the law through the application of the principles of the rule of law, equality before the law, accountability, transparency, and independence of law enforcement agencies as a prerequisite for creating a healthy investment climate (Du, 2024).

In addition, this study uses According to John Maynard Keynes, investment decisions are primarily influenced by expectations of future returns and the level of business confidence. This perspective was further developed by John H. Dunning through the Eclectic Paradigm (OLI Theory), which explains that investment decisions are determined by ownership advantages, location advantages, and internalization advantages. Within the legal context, location advantages include political stability, regulatory certainty, institutional quality, ease of doing business, transaction costs, and the level of legal risk. Accordingly, Investment Theory suggests that the higher the level of regulatory certainty provided by a country, the lower the investment risk borne by business actors, thereby encouraging greater domestic and foreign investment flows (Boundi-Chraki & Perrotini-Hernández, 2024). This research also refers to the concept of Good Governance which emphasizes the importance of transparency, accountability, effectiveness, efficiency, community participation, and legal certainty in the administration of government (Suhardi, Pribadi, & Losi 2023). The implementation of good governance is believed to be able to improve the quality of public services, improve the licensing system, minimize the practice of abuse of authority, and increase the confidence of the business world in the government. As a complement, Institutional Theory is used to explain that the quality of formal institutions, including regulations, bureaucracy, and law enforcement systems, has a significant influence on organizational behavior and corporate investment decisions (Judijanto et al., 2024).

Although legal reform has become one of the government's priority agendas, various previous studies have shown that regulatory simplification and bureaucratic reform have not been fully able to create legal certainty as expected by business actors. Most of the research still focuses on the effectiveness of regulatory reform from the perspective of government administration or ease of doing business while studies that comprehensively link legal reform, regulatory certainty, investment climate, and governance of the business world still relatively limited. However, the implementation of legal reform policies is still facing various obstacles such as frequent changes in regulations, differences in interpretation between government agencies, weak institutional coordination and suboptimal law and regulation harmonisation. This condition indicates that there is a gap between the normative goals of legal reform and the reality of its implementation in the field so that the legal certainty expected by investors has not been fully realised.

Additionally, each previous study typically only focused on one dimension of what reforming investment law might entail. The first study is foreign direct investment, the second is licensing simplification, the third is bureaucratic reform, the fourth in legal certainty for capital investment, while the fifth is corporate governance. No research has yet built on a holistic analytical framework that spans these five elements together. Thus, this study brings novelty to the literature by investigating investment regulation reform and legal certainty as interrelated unit of institutional quality together with corporate governance. It is expected that this method will provide a more holistic perception that the effectiveness of legal reform is not only measured by the reduction of regulations or the ease of obtaining licenses, but also by its ability to create policy stability, improve institutional quality, increase investor confidence, and encourage the achievement of transparent, accountable and sustainable corporate governance.

This research attempts to address this gap in the literature based on these conditions and uses a multidisciplinary approach that combines law, governance and investment economics in one framework. Notably, previous studies of Indonesia have not thoroughly investigated the interplay between legal certainty, institutional quality and corporate governance in determining the overall investment climate. Thus, the issues that become the points of discussion in this research are as follows: (1) how legal reform can contribute to strengthening regulatory certainty for Indonesia; (2) how regulatory certainty matters to institutional quality and corporate governance; and (3): To what extent do both flux above affectinvestment climateandnational investment competitiveness?. The novelty (state of the art) of this study resides in its integrated analysis, which not only assesses the effectiveness of legal reform in generating regulatory certainty, but also investigates how legal certainty, governance quality, and investment performance are interrelated. By adopting this comprehensive approach, the research is expected to advance the field of economic law scholarship and offer policy recommendations aimed at strengthening the national regulatory framework, improving governance quality, and increasing Indonesia's global investment competitiveness.

Research on legal certainty and the investment climate in Indonesia has progressed through multiple viewpoints, including how legal certainty affects investment decisions, as well as regulatory reform and investment governance. Even so, many studies remain limited to particular dimensions and have not synthesized the links among legal certainty, the investment climate, and business governance within an integrated analytical framework. Benny Hutahayan et al. investigated the effects of judicial independence, legal culture, and government authority on legal certainty and its consequences for investment decisions through a quantitative approach using Structural Equation Modeling (SEM). Their findings indicated that legal certainty positively influences investment decisions. However, the study restricted its analysis to investor behavior in the capital market and did not examine how legal certainty, in a broader sense, shapes business governance and the national investment climate as a whole (Hutahayan et al., 2024). This study expands on this research by analyzing legal certainty as a basis for shaping the investment climate and business governance in Indonesia.

Farok J. Contractor and colleagues examined how a country's regulations affect Foreign Direct Investment (FDI) inflows across 189 countries. Their findings indicate that contract enforcement and regulatory quality are major determinants of foreign investors' decisions. However, because the study relied on a cross-border approach, it did not account for the features of Indonesia's legal system and its regulatory reforms (Contractor et al., 2020). The present study addresses this shortcoming by specifically investigating legal certainty within the framework of Indonesian investment regulations and assessing its implications for national business governance. In a related effort, Widiatno and Harris examine legal certainty for foreign investors by introducing Danantara as a national investment governance reform. Their research concentrates on legal protection for investors in sovereign wealth funds (Widiatno & Harris, 2025). By contrast, this article moves beyond investor protection to assess how systemic legal certainty shapes the investment climate and the overall quality of business governance in Indonesia.

Another study by Noviandra, Handoyo, and Siswoko investigates the effects of the Job Creation Law on the investment climate through regulatory streamlining and a risk-based licensing system (OSS-RBA). The study aims to assess the implementation of the Omnibus Law (Noviandra, Handoyo, & Siswoko, 2025). In contrast, the present study has a wider scope because it not only examines a single legal instrument, but also evaluates legal certainty as a core principle that determines whether regulations can successfully foster a sustainable investment climate and business governance. Finally, Putri's study examines the relationship between investment law reform and investment realization in Indonesia through an empirical legal approach and national investment indicators. This study places greater emphasis on assessing how regulatory reform can improve investment performance (Putri, 2026). Unlike earlier studies, this article not only measures the impact of reform on investment, but also considers legal certainty as a prerequisite for establishing sound business governance, thereby generating a sustained increase in investor confidence.

Drawing on comparisons with five prior studies, this study's originality is reflected in its analysis, which brings together legal certainty, the investment climate, and business governance within one integrated conceptual framework. In contrast to earlier research, which typically focuses on how regulations can promote investment growth or strengthen investor protection, this study treats legal certainty as the central basis for achieving sound business governance, thereby enhancing investor confidence and fostering a favorable investment climate. Furthermore, this study employs a normative legal approach by examining investment regulatory reform in Indonesia based on the principles of legal certainty, legal and regulatory harmonization, and good business governance. Through this approach, this research not only makes a theoretical contribution to the development of investment law studies but also generates recommendations for policymakers on the importance of regulatory harmonization to enhance national investment competitiveness without neglecting the principles of legal certainty and good business governance.

B. RESEARCH METHODS

This study uses a normative legal research approach with descriptive-analytical research specifications. This approach was chosen because the research focuses on the study of legal norms, legal principles, legal theory, as well as various laws and regulations related to legal reform, regulatory certainty, investment climate, and business governance in Indonesia (Masnun, Prasetio, & Maalikatussofa, 2025). The analysis is directed to assess the consistency, harmonization, and effectiveness of regulations in supporting legal certainty for investment activities. In its implementation, the research uses a statute approach to examine various regulations related to investment and legal reform, a conceptual approach to analyze the concepts of legal certainty, rule of law, good governance, investment theory, and institutional theory, as well as an analytical approach to evaluate various legal issues that arise due to regulatory disharmony and policy inconsistencies impact on the investment climate and business governance.

The data used is secondary data, which includes primary legal materials, secondary legal materials, and tertiary legal materials. Main legal sources are laws and rules about legal changes and investments.Other legal sources are books, articles, research papers, reports from government groups, and documents from international organizations. The tertiary legal materials are in the form of legal dictionaries, encyclopedias, and an index of laws and regulations. The data collection technique is carried out through library research by inventorying, identifying, classifying, and reviewing various legal sources and relevant scientific literature. Furthermore, data was analyzed using qualitative analysis methods through the interpretation of legal norms, vertical and horizontal synchronization between laws and regulations, and argumentative analysis of the implementation of legal reforms to obtain conclusions about the effectiveness of regulatory certainty in improving the investment climate and strengthening business governance in Indonesia.

C. RESULTS AND DISCUSSION

1. The Implementation of Legal Reforms to Ensure Regulatory Certainty for Investment Activities in Indonesia

Legal reform is one of the fundamental agendas in national development which is directed at building a legal system that is able to adapt to social, political, and economic dynamics, both at the national and global levels (Sinaga, 2022). From the perspective of the rule of law, the existence of law not only functions as an instrument of social control, but also as a means of social engineering that is able to encourage economic growth and create community welfare (Al Alawi, 2024). Therefore, legal reform is an important prerequisite for creating a healthy, competitive, and sustainable investment environment. For Indonesia, legal reform is not enough to be understood as a change in the substance of laws and regulations alone, but must include improving the institutional system, improving the quality of bureaucracy, strengthening law enforcement, digitizing public services, and establishing a legal culture that upholds the principles of certainty, justice, and usefulness (Muhammad et al., 2025). Comprehensive legal reform is a strategic instrument in building investor trust because the business world needs a regulatory system that is stable, predictable, consistent, and able to provide legal protection for all economic activities. Thus, the success of legal reform is not only measured by the number of regulations that have been formed or revised, but further assessed by the effectiveness of these regulations in creating legal certainty that is able to reduce investment risks and increase the confidence of business actors in the national legal system (Iriansyah &Yalid, 2026).

The urgency of legal reform is increasingly evident when Indonesia is facing complex problems in the form of many regulations spread across various sectors, often undergoing changes, and even often contradicting each other. The phenomenon known as hyper regulation shows that over the years Indonesia's regulatory system has developed sectorally without adequate coordination, resulting in overlapping norms, conflicts of authority, and insynchronization between regulations (Lelono, Tohari, & Sejati, 2024). This condition results in increased transaction costs, lengthening the licensing administration process, reducing bureaucratic efficiency, and creating legal uncertainty that ultimately hinders investment. From the point of view of legal certainty theory, the law should provide clear guidelines, not multi-interpretations, easy to understand, and can be implemented consistently. However, in practice, business actors still often face situations where the applicable regulations change in a relatively short time or are interpreted differently by each government agency. This uncertainty causes investors to have to allocate additional costs to meet various administrative obligations and face potential legal disputes that can actually be avoided if the regulatory system is built in harmony and consistently.

In response to these problems, the government has taken various regulatory reform steps through regulatory simplification, policy deregulation, digitization of public services, and updates to the risk-based business licensing system (risk-based approach) (Haisa, Insan, & Hamid, 2024). This reform aims to reduce bureaucratic obstacles while speeding up the investment process without eliminating the function of state supervision over business activities. Simplification of regulations is basically an effort to eliminate provisions that are no longer relevant, reduce duplication of regulations, and draft regulations that are simpler, effective, and easier to understand by the public and business actors. The adoption of electronic systems for licensing services is a crucial aspect of legal reform, as it can improve transparency, streamline bureaucratic processes, expedite service delivery, and reduce the risk of abuse of power (Khomeni & Atmoko, 2025). However, this simplification of rules cannot be interpreted only as an increase in the number of regulations. The quality of the legal substance, the protection of public interests, environmental and labor rights, and the certainty of people's rights must all be taken into account when implementing regulatory reform. Simple laws that fail to comply with the principles of justice and legal protection may result in new legal issues in the future.

The success of regulatory reform is highly dependent on the harmonization of laws and regulations. Harmonization is not only interpreted as editorial adjustments between regulations, but is a process of synchronization vertically and horizontally so that there are no conflicts of norms, overlapping authorities, and policy inconsistencies between government sectors. In the practice of government administration in Indonesia, regulatory disharmony is still a serious problem. Differences in regulations between the central government and local governments, inconsistencies between sectoral regulations, and differences in interpretation between ministries and institutions often cause investment implementation to experience administrative and legal obstacles (Chandranegara & Ali, 2020). For example, the investment licensing process often faces obstacles due to differences in policies regarding the use of space, environment, taxation, and natural resource management regulated by different agencies. This condition shows that the formation of regulations has not been fully based on an integrated legal system. In fact, the principle of rule of law requires that all government actions have a clear, consistent, and uniform legal basis by all state administrators so that they are able to provide legal certainty to the community and the business world.

Legal certainty is one of the main indicators that determine the success of legal reform in supporting investment activities. In the perspective of the theory of legal certainty put forward by Gustav Radbruch, law must be able to provide clarity of norms, ensure consistency of application, and provide protection for the rights and obligations of each legal subject (Kurniawan & Ezzerouali, 2024). Legal certainty is not enough to be realized through the existence of complete regulations, but must be supported by consistent implementation, fair law enforcement, a professional bureaucracy, and effective dispute resolution mechanisms. The corporate sector needs predictability in licensing, security of property rights, reliability of contracts, tax stability and the comfort that government regulations will not change suddenly without a sound legal backing. Countries with legal certainty have a lower investment risk. In contrast, regulatory uncertainty will increase compliance costs, increase business risks and reduce the attractiveness of investments (Rizal & Amelia, 2025). Therefore, the quality of legal institutions is one of the important factors that determine the competitiveness of a country in attracting domestic and foreign investment.

When viewed from the perspective of institutional theory, the effectiveness of legal reform is greatly influenced by the quality of formal institutions that carry out these regulations. Good regulation will not provide benefits if the institution that implements it does not have adequate capacity, integrity, or coordination. In the Indonesian context, the implementation of legal reform still faces various institutional obstacles, including sectoral egos between ministries and institutions, weak coordination between the central government and local governments, limited apparatus resources, and the lack of optimal integration of digital-based public service systems (Wujarso et al., 2025). This problem causes the implementation of regulations to often differ from one region to another, thus reducing the consistency of services to business actors. On the other hand, the low quality of institutional coordination also causes various investment policies to run partially and have not been fully integrated into one comprehensive national regulatory system.

In addition to structural barriers, legal reform also faces cultural challenges that are no less important. The legal culture of the community and government apparatus still shows varying levels of compliance with the principles of good governance (Koeswayo, Handoyo, & Hasyir, 2024). Less transparent administrative practices, low accountability, differences in interpretation of legal norms, and the tendency to maintain conventional bureaucratic patterns are factors that hinder the effectiveness of the implementation of legal reforms. In addition, national political dynamics often affect the formation and change of regulations, making it difficult to achieve the policy stability needed by the business world. Regulatory changes that are too rapid without an adequate transition period have the potential to create uncertainty for investors, especially in the formulation of long-term business strategies (Budi et al., 2026). This condition shows that legal reform cannot be separated from bureaucratic reform, institutional reform, and strengthening a legal culture that upholds professionalism and certainty of public services.

Thus, the implementation of legal reform in Indonesia still needs a more comprehensive strengthening in order to be able to produce regulatory certainty that is truly felt by the business world (Sinervo et al., 2026). Legal reform should be placed as a process of integral reform of the legal system that includes the substance of the law, institutional structure, and legal culture as stated in the theory of the legal system. Simplification of regulations must be accompanied by harmonization of laws and regulations, strengthening coordination between institutions, improving the quality of law enforcement apparatus, digitizing public services, and sustainable regulatory evaluation mechanisms. At the same time, the government needs to ensure that any policy changes are carried out in a transparent, participatory, and based on the needs of national economic development without ignoring the principles of legal certainty and the protection of people's rights. Establishing a stable, consistent, and accountable regulatory framework would not only increase investor confidence and strengthen Indonesia’s investment competitiveness, but will also provide a fundamental base for advancing good governance and supporting inclusive, sustainable economic development.

2. The Impact of Regulatory Certainty on the Investment Climate and Business Governance in Indonesia

Regulatory certainty is one of the main cornerstones for creating a healthy, competitive, and sustainable investment climate. From the perspective of economic law, regulatory certainty is not only interpreted as the availability of complete laws and regulations, but also includes consistency in the formation, implementation, and enforcement of laws that are able to provide a guarantee of protection for the rights and obligations of all business actors (Toyi & Hamidun 2025). Clear, stable, and predictable rules will give a sense of security for investors in making long-term business decisions, while regulations that alter, contradict each other, or are administered inconsistently increase legal risks and economic uncertainties. Therefore, regulatory certainty plays a strategic role as a tool that links legal policy to national economic development. For developing countries such as Indonesia, the ability to attract investment depends not only on the vast potential of natural resources, the size of the domestic market, or the fiscal incentives offered by the government, but also on the quality of the legal system and the effectiveness of regulatory governance that can ensure certainty for all business actors.

The link between regulatory certainty and higher investment can be understood using investment theory and institutional theory, which identify institutional quality as one of the key determinants of investment decision-making (Kharisma et al., 2025). In practice, domestic and foreign investors primarily weigh two factors before allocating capital: the level of profit (return) and the level of risk (risk). When a country has a stable regulatory framework, clear licensing procedures, protection of property rights, certainty in contracts, and an effective dispute resolution mechanism, investment risks decline, which makes the country more attractive as an investment destination. Conversely, frequent regulatory changes, poor coordination among agencies, and policy inconsistencies raise transaction costs and compliance costs, thereby lowering investors' willingness to expand their business. Therefore, regulatory certainty not only offers legal guarantees, but also operates as an economic instrument capable of improving market efficiency and enhancing national competitiveness.

When regulations are clear and consistent, they help domestic investors plan for the long term. This means investors can feel more confident about expanding their businesses, developing new products, and scaling their production and sales operations. Businesses need clear rules on matters such as obtaining licenses, paying taxes, hiring employees, protecting intellectual property, acquiring land, and resolving disputes. If rules are applied consistently, businesses can plan their strategies with greater certainty. This predictability helps them become more productive and operate more efficiently. On the other hand, sudden regulatory changes that occur without an adequate transition period will create uncertainty in business planning, increase the cost of adjusting company policies, and may even hinder the sustainability of investments that have been underway (Bagenda et al., 2025). Therefore, regulatory certainty has a direct impact on the sustainability of the national business world, especially for micro, small, and medium enterprises (MSMEs) who have limited resources to adjust to rapid regulatory changes.

For foreign investors, regulatory certainty has a broader meaning because it relates to the level of trust in a country's legal system. Foreign Direct Investment (FDI) decisions are not only influenced by market potential and production costs, but also by the quality of legal institutions that are able to provide protection for assets, business contracts, ownership rights, and dispute resolution in a fair and independent manner (Zhang & Liu, 2021)). Foreign investors generally conduct an analysis of political stability, regulatory quality, level of corruption, independence of the judiciary, and bureaucratic effectiveness before deciding to invest. Therefore, countries that are able to provide certainty of regulations and consistent law enforcement tend to be more competitive in attracting investment than countries that have unstable regulations. In this context, regulatory certainty is an important part of the national strategy to increase the competitiveness of Indonesian investment in the midst of increasingly fierce global competition.

In addition to influencing investment decisions, regulatory certainty also has a significant impact on increasing ease of doing business. The ease of doing business is not only measured by the speed or slowness of the licensing process, but also includes the simplicity of administrative procedures, transparency of public services, certainty of completion time, bureaucratic effectiveness, and ease of obtaining information about applicable regulations (Babatunde et al., 2021). Legal reform accompanied by the digitization of public services, the integration of the licensing system, and the simplification of administrative procedures have contributed to improving the efficiency of services to business actors (Syafarudin & Haris, 2025). However, ease of doing business will be difficult to realize if the regulations that are the basis of services still experience overlap, change too often, or are applied differently by each government agency. Therefore, increasing the ease of doing business is basically a logical consequence of creating consistent and integrated regulatory certainty.

Furthermore, regulatory certainty has a very close relationship with the application of good governance principles in the implementation of government and business governance (Zahran, Airi, & Saengsroi, 2023). Good governance requires transparency, accountability, effectiveness, efficiency, participation, and legal certainty as the main foundation in every decision-making process. Clear and consistent regulations will reduce the space for abuse of authority, discriminatory practices, and administrative actions that are not in accordance with legal principles. On the contrary, multi-interpreted and inconsistent regulations actually open up opportunities for corrupt practices, collusion, nepotism, and increased economic costs due to bureaucratic uncertainty. In the business world, the implementation of good governance is not only the responsibility of the government, but also the obligation of companies in building corporate governance that is transparent, accountable, responsible, independent, and fair (Wati et al., 2024). Therefore, regulatory certainty serves as a normative foundation that strengthens the relationship between good governance and sound corporate governance.

From the perspective of economic development, regulatory certainty also has a broader impact on enhancing national competitiveness. Legal certainty creates economic stability, strengthens market confidence, expands employment opportunities, improves the competitiveness of domestic industries, and promotes technology transfer and innovation through increased investment (Rao, Ali, & Smith, 2024). Regulatory uncertainty negatively impacts investor confidence, leading to increased production costs and diminished economic growth. This environment may prompt investors to seek jurisdictions with more predictable legal frameworks. Such adverse consequences disproportionately affect individuals in lower-income brackets, who are more susceptible to job displacement, reduced household earnings, and diminished prospects for stable employment when investment and commercial activities contract. Furthermore, a deceleration in economic expansion can curtail government revenue, thereby limiting expenditures on vital public services, including education, healthcare, and social welfare programs. These reductions in public services tend to have a more pronounced effect on economically vulnerable populations. Consequently, legal reform and regulatory stability should be viewed not solely as legal matters but as critical tools for fostering inclusive, equitable, and sustainable economic development.

Legal reforms have helped make things clearer for everyone, but some big issues still need real attention (Astariyani et al., 2023). Ministries and institutions don’t always line up on regulations, so you end up with overlapping rules and different interpretations. That just causes confusion. They need to work together more closely. The same goes for coordination between the central and local governments, without better teamwork, investment policies just aren’t consistent across Indonesia (Widiyono & Khan, 2023). Another thing that matters: regularly checking if regulations still make sense as the economy, technology, and business keep changing. You can’t let policies get outdated. And let’s not forget the public. The government has to get people more involved when making laws and regulations. That way, new rules actually fit what communities and businesses need.

Going forward, legal reform in Indonesia needs to focus on building a regulatory system that’s much simpler, more consistent, flexible, and guided by clear legal certainty. It’s not enough just to roll out new laws or rules, real progress comes when the government also improves institutional quality, makes its officials more professional, digitizes public services, supervises how regulations play out on the ground, and enforces the law fairly, without discrimination.

The Indonesian government has already taken some big steps. They passed Law Number 6 of 2023 on Job Creation, set up a risk-based business licensing system under Government Regulation Number 5 of 2021, built the Online Single Submission (OSS) system, and pushed for major bureaucratic reforms to make it easier to do business in the country. All of this has started to simplify licensing and make Indonesia more appealing to investors.

Still, problems persist. Regulations sometimes clash, new policies don't always line up well with existing rules, and it's tough to know if the latest reforms are actually working as intended. To fix this, the government needs to treat Regulatory Impact Assessment (RIA) as a must in every policy-making process. That way, every regulation can rest on solid evidence, bring more benefits than costs, and actually support investment and help the economy compete.

By sticking with these improvements, Indonesia can offer genuine legal certainty, not just for business, but as a foundation for a better investment climate. This helps strengthen corporate governance, makes investors more confident, and gives the country a real shot at sustainable economic growth, even when the global economy gets rocky.

D. CONCLUSION

From the discussion, it's clear that pushing for legal reform in Indonesia is a smart move if the aim is to build a regulatory system that gives investors the certainty they need. But let's be real, it's not just about drafting new laws or tweaking the old ones. It's about cutting through the mess of overlapping rules, harmonizing regulations, moving more services online, fixing the bureaucracy, and, most importantly, strengthening the institutions and law enforcement that support all of this. These efforts actually help make the investment process smoother and more efficient.

Still, legal reform faces some stubborn obstacles. Think of problems like patchy regulations, agencies stepping on each other's toes, inconsistent policies, poor coordination between central and regional governments, and rules that seem to change overnight. All that shows one thing: there's still a gap between what's written on paper and what happens out in the real world. Legal reform has to go beyond simply making rules simpler. It has to focus on improving institutions, harmonizing laws, making sure enforcement is solid, and shaping a legal culture built on certainty, fairness, and real benefits.

When the rules are clear and reliable, the business and investment climate in Indonesia truly improves. Stable, transparent regulations give both local and international investors a reason to trust the system. That trust keeps legal risks low, cuts unnecessary costs, and encourages a healthier, more competitive business scene. Making red tape simpler, speeding up licensing, and making the bureaucracy more open all help a lot too.

Legal certainty isn't just a nice-to-have; it's the backbone of good governance. It supports accountability, transparency, and professionalism, qualities every government and business should aim for. So, legal reform should be judged by how well it creates a regulatory system that's in sync, able to adapt, and built to last, because that's what actually brings legal certainty for businesses, boosts Indonesia's competitiveness, and backs up fair and sustainable economic growth.

To make it all work, the government has to keep checking and updating regulations, improve teamwork between agencies, step up the quality of law enforcement, and get the public involved when shaping new rules. And every investment policy needs to be grounded in legal certainty, fairness, and the best practices of good governance.

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