GOLDEN RATIO OF LAW AND SOCIAL POLICY REVIEW
VOLUME 6, ISSUE. 1 (2026)
Website: https://goldenratio.id/index.php/grlspr

ISSN [Online]: 2808-2923

LAW & SOCIAL POLICY | RESEARCH ARTICLE

Fragmentation of Investment Regulations in Indonesia: An Analysis of Normative Disharmony and the Reform Agenda from an Investment Certainty Perspective

Irwan Hasan[1], La Ode Husen[2], Abdul Qahar[3]

[1,2,3] Magister of Law, Universitas Muslim Indonesia, Makassar, Indonesia.
Email: irwan.hasan@umi.ac.id[1], laode.husen@umi.ac.id[2], abdul.qahar@umi.ac.id[3]

ARTICLE HISTORY

Received: June 14, 2026
Revised: July 20, 2026
Accepted: July 29, 2026

DOI
https://doi.org/10.52970/grlspr.v6i1.2389

ABSTRACT
This study aims to analyze the fragmentation of investment regulations in Indonesia, emphasizing the identification of forms of normative disharmony and formulating a regulatory reform agenda from an investment certainty perspective. The main focus of the study is to examine the extent to which the lack of synchronization between laws and regulations, both vertically and horizontally, impacts the effectiveness of the national investment legal system. The research method used is normative legal research with a library research approach and a systematic literature review, supported by a regulatory approach, a conceptual approach, and a comparative approach. Data analysis techniques are descriptive-prescriptive to outline legal issues and provide normative recommendations. The results show that regulatory fragmentation occurs due to the complexity of the multi-layered legal system, weak institutional coordination, and inconsistencies in norms across sectors and levels of government. This disharmony gives rise to normative conflicts, overlapping authorities, and unclear legal terminology, which have resulted in increased legal uncertainty, transaction costs, and investment risks. Furthermore, the regulatory reforms that have been implemented have not been fully effective due to obstacles in harmonization and implementation. The research findings confirm the need for comprehensive and integrated regulatory reform through legal harmonization, institutional strengthening, and optimization of technology-based licensing systems to create legal certainty and increase national investment competitiveness.

Keywords: Regulatory Fragmentation, Investment, Normative Disharmony, Legal Certainty, Regulatory Reform

I. Introduction

The phenomenon of economic globalization and increasing competition between countries to attract foreign investment has positioned legal certainty as a key determinant of the investment climate. Indonesia, as a developing country with significant market potential, continues to strive to improve its investment regulatory framework to increase competitiveness. However, reality shows that investment regulations in Indonesia still face issues of normative fragmentation, which results in legal disharmony and uncertainty for investors. This situation is a serious concern in economic law studies because it directly relates to the effectiveness of investment policies and the stability of national economic growth. Conceptually, investment

ISSN [Online]: 2808-2923

is understood not only as an economic activity but also as a complex and multidimensional legal regime, involving various sectors and levels of regulation. In this context, legal certainty is a fundamental principle that ensures consistency, predictability, and clarity of legal norms for business actors. The literature shows that regulatory uncertainty can hinder investment by increasing risk and transaction costs (Chang et al., 2023). From a macroeconomic perspective, policy uncertainty also impacts productivity and overall economic growth (Letta & Tol, 2018).

Several previous studies have examined the relationship between regulation and economic performance, including the impact of policy inconsistency on investment. For example, Bastien-Olvera et al. (2021) found that structural uncertainty in policy can have long-term impacts on economic output (Bastien-Olvera et al., 2021). Furthermore, Mumtaz and Alessandri (2021) showed that policy volatility is negatively correlated with economic growth and macroeconomic stability (Mumtaz & Alessandri, 2021). Although these studies did not specifically address the investment sector in Indonesia, their findings provide a strong theoretical basis for suggesting that regulatory fragmentation has the potential to generate significant uncertainty. In the Indonesian context, empirical studies show that economic sectors heavily influenced by public policy, such as investment and industry, are vulnerable to unsynchronized regulatory changes. Azhar et al. (2025) assert that policy instability negatively impacts economic performance in developing countries (Azhar et al., 2025). Meanwhile, Cai et al. (2022) highlight that uncoordinated policies can lead to greater economic losses, particularly in developing countries (Cai et al., 2022). This is relevant to Indonesia's multi-layered regulatory structure between the central and regional governments.

Furthermore, research by Zhang and Masron (2023) shows that regional differences in policy can result in uneven economic impacts (Zhang & Masron, 2023). This finding indicates that regulatory disharmony not only creates uncertainty but also widens economic disparities between regions. In the context of investment law in Indonesia, this is reflected in overlapping regulations between laws, government regulations, and regional regulations, which are often unsynchronized. The phenomenon of normative disharmony has become increasingly complex with the dynamics of regulatory reforms, such as the implementation of the Job Creation Law, which aims to simplify investment licensing. While this reform is expected to improve the ease of doing business, several studies indicate that its implementation still faces challenges in inter-agency coordination and inconsistent derivative norms. From a critical perspective, Keen (2020) cautions that policy approaches that oversimplify system complexity can produce biased estimates that do not reflect the true reality (Keen, 2020).

On the other hand, Woillez et al. (2020) highlight that economic models often fail to capture the systemic impacts of complex structural changes (Woillez et al., 2020). This analogy can be applied to the legal context, where regulatory fragmentation not only has a partial impact but also creates systemic effects on the entire investment ecosystem. Therefore, a comprehensive analysis of disharmony in investment regulations requires consideration of the interaction between norms and institutions. Legal issues arising from this regulatory fragmentation include conflicting norms, unclear authority, and inconsistencies in policy implementation. This has implications for increased legal risks for investors, which can ultimately reduce investment appetite. Mammo (2022) points out that policy uncertainty can negatively impact strategic economic sectors such as agriculture (Mammo, 2022), which, more broadly, can be extended to the investment sector as a whole. Based on this description, a research gap can be identified in the study of investment law in Indonesia, particularly regarding in-depth analysis of regulatory fragmentation and normative disharmony. Most previous research has focused on macroeconomic aspects or sectoral policies, while studies specifically integrating normative legal perspectives with investment certainty analysis are still limited. Furthermore, few studies have systematically examined the relationship between regulatory fragmentation and the effectiveness of investment law reform in Indonesia.

This study aims to fill this gap by conducting a comprehensive analysis of the fragmentation of investment regulations in Indonesia, particularly in identifying forms of normative disharmony and their implications for investment certainty. The novelty of this research lies in its interdisciplinary approach, which combines normative legal analysis with an institutional economics perspective, and its focus on evaluating

ISSN [Online]: 2808-2923

the regulatory reform agenda as an effort to create a more harmonious and sustainable investment legal system. This research provides a new analytical framework for understanding the complexities of investment regulations in Indonesia, while also offering policy recommendations based on the principles of legal harmonization and increased investment certainty. Therefore, this research is expected to make significant theoretical and practical contributions to the development of economic law and investment policy in Indonesia.

II. Literature Review

Legal certainty is a fundamental principle of investment governance because investors require rules that are accessible, consistent, predictable, and enforceable. In Indonesia, this principle is expressly recognized in Law Number 25 of 2007 concerning Investment, which establishes legal certainty, openness, accountability, equal treatment, and sustainable economic development as the foundations of investment policy. Legal certainty therefore extends beyond the formal existence of legislation and includes consistency in regulatory interpretation, administrative implementation, licensing procedures, and dispute resolution. An investment framework may appear comprehensive at the statutory level but remain uncertain when implementing regulations contain conflicting requirements or when different authorities apply the same norms inconsistently. Regulatory fragmentation arises when legal rules governing the same activity are distributed across numerous statutes, sectors, institutions, and levels of government without adequate coordination. Fragmentation can occur vertically when regional or implementing regulations are inconsistent with higher-level legislation and horizontally when regulations issued by institutions of equivalent authority overlap or conflict. The OECD (2021) conceptualizes regulatory coherence as the consistent planning, formulation, implementation, and evaluation of regulations across government institutions. From this perspective, regulatory quality depends not only on reducing the number of regulations but also on ensuring that the remaining rules are mutually consistent and directed toward common policy objectives.

The problem of regulatory fragmentation is particularly relevant to Indonesia because investment governance involves central ministries, sectoral agencies, regional governments, and licensing institutions. The OECD (2020) found that decentralization had contributed to the proliferation of overlapping central and regional investment policies, partly because regional governments possess different institutional and technical capacities. Such differences can produce additional administrative requirements, inconsistent interpretations, and regional regulations that do not fully correspond with national investment policies. Consequently, investors may encounter different legal and administrative requirements for similar activities across jurisdictions, thereby reducing predictability and increasing compliance costs. Indonesia has undertaken several legislative reforms to address these regulatory problems. Law Number 6 of 2023 concerning the Stipulation of Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation as Law provides the current legislative foundation for the Job Creation reform. The investment regime is also governed by Law Number 25 of 2007, Presidential Regulation Number 10 of 2021 concerning Investment Business Fields, and Presidential Regulation Number 49 of 2021 amending the regulation on investment business fields. These instruments seek to simplify investment requirements and open more commercial sectors while retaining restrictions for activities that must remain closed or controlled by the state.

Business licensing reform constitutes a central element of this regulatory transformation. The government initially implemented risk-based business licensing through Government Regulation Number 5 of 2021, replacing the conventional licensing model with a system in which licensing requirements were determined according to the level of business risk. However, Government Regulation Number 5 of 2021 was subsequently revoked and replaced by Government Regulation Number 28 of 2025 concerning the Implementation of Risk-Based Business Licensing. The current regulation governs basic requirements, business licensing, supporting business licenses, standards and procedures, Online Single Submission services, supervision, policy evaluation, problem resolution, and administrative sanctions. This regulatory replacement indicates that risk-based licensing remains an evolving policy area requiring continuous

ISSN [Online]: 2808-2923

normative and institutional adjustment. Previous studies present mixed assessments of risk-based licensing and the Online Single Submission Risk-Based Approach. Rachmania et al. (2025) argue that risk-based licensing can improve efficiency, transparency, and predictability by integrating licensing procedures within a digital system. Duri et al. (2024) similarly found that OSS-RBA facilitated licensing for micro and small enterprises, particularly for businesses categorized as low risk. Nevertheless, their study also identified delays in the issuance of licenses and standard certificates for businesses with medium and high-risk classifications due to limited user understanding, verification delays, and institutional coordination problems.

Other legal studies emphasize the unresolved legal-certainty problems within the risk-based approach. Aristo et al. (2024) contend that uncertain risk standards can undermine legal certainty even when the licensing system provides greater administrative convenience. Musthafa et al. (2023) identify legal questions concerning the validity and implementation of OSS-RBA following changes to the legal foundation of the Job Creation Law. Mirozul et al. (2025) further find that problems persist in the distribution of licensing authority, the issuance of basic requirements, sectoral risk classification, and the integration of institutions within OSS. These studies demonstrate that digitalization and procedural simplification do not automatically eliminate normative conflict or fragmented authority. The adoption of the omnibus-law approach has also generated debate regarding its effectiveness in resolving investment problems. Putro (2021) argues that the omnibus-law model may create new legal-certainty concerns when broad legislative amendments are not accompanied by clear regulatory priorities and coherent implementation. By contrast, the rationale of risk-based licensing emphasizes the need to reduce excessive bureaucracy, standardize administrative procedures, and improve investment competitiveness. These contrasting perspectives indicate that regulatory simplification must be distinguished from regulatory harmonization. Simplification primarily reduces procedural requirements, whereas harmonization ensures consistency between legal norms, institutions, terminology, and implementation practices.

A comprehensive investment regulatory reform should therefore employ a whole-of-government approach. The OECD (2012, 2021) recommends integrating regulatory impact assessment, stakeholder consultation, interinstitutional coordination, regulatory review, and ex post evaluation into the regulatory governance cycle. In the Indonesian context, this approach requires vertical harmonization between central and regional regulations, horizontal harmonization across sectoral regulations, consistent definitions of licensing terminology, stronger coordination among licensing authorities, and effective integration of sectoral systems into OSS. Digital licensing should function as an integrated regulatory mechanism rather than merely as an electronic interface for fragmented administrative procedures. The existing literature has predominantly examined particular components of investment reform, including the omnibus-law approach, the legality of OSS-RBA, risk-based licensing standards, and licensing effectiveness in particular regions. Limited attention has been given to the combined relationship between vertical regulatory inconsistency, horizontal sectoral overlap, fragmented institutional authority, and the effectiveness of the current reform framework following the enactment of Government Regulation Number 28 of 2025. This study addresses that gap by examining regulatory fragmentation as a multidimensional legal problem and by evaluating an integrated reform agenda based on regulatory coherence, institutional coordination, legal certainty, and effective licensing governance.

III. Research Method

The research method used in this study is normative legal research, utilizing a library research approach, enriched by a systematic literature review. Normative legal research focuses on the analysis of legal norms contained in laws and regulations, doctrines, and court decisions relevant to the issue of fragmented investment regulations in Indonesia. This approach was chosen because the issues studied relate to normative disharmony and regulatory inconsistencies, which require an in-depth examination of the applicable legal system. This research employs three main approaches: the statute approach, the comparative approach, and the conceptual approach. The statute approach examines various regulations related to investment, both at

ISSN [Online]: 2808-2923

the statutory and implementing regulatory levels, to identify potential normative conflicts and overlapping regulations. The comparative approach compares Indonesia's investment regulatory framework with other countries to identify best practices in regulatory harmonization. The conceptual approach examines legal concepts related to legal certainty, regulatory harmonization, and investment regimes. The data analysis technique was carried out descriptively-prescriptively, namely by systematically describing the legal problems found, then providing normative arguments and recommendations as solutions to regulatory disharmony in order to increase investment certainty

IV. Result and Discussion

4.1. Fragmentation of Investment Regulations and Forms of Normative Disharmony in Indonesia

The fragmentation of investment regulations in Indonesia essentially reflects the pluralistic, dynamic, and multi-layered nature of the national legal system, in which various legal instruments are formulated by various authorities with distinct sectoral interests. While intended to accommodate the complexity of economic development, this legal structure, in practice, creates significant normative disharmony. This study demonstrates that this fragmentation occurs not only at the formal level of legislation but also in the implementation and interpretation of the law. This condition aligns with findings that policy and regulatory misalignment can increase economic uncertainty and negatively impact investment performance (Azhar et al., 2025). In a normative context, the existence of Law Number 25 of 2007 concerning Investment has indeed provided a fairly comprehensive basic legal framework. However, this study found that this regulation does not stand alone, but rather interacts with various sectoral regulations that are often not harmoniously integrated. For example, in the environmental sector, provisions regarding environmental impact analysis (AMDAL) often conflict with the principle of accelerated investment promoted by risk-based licensing policies. A similar situation also occurs in the employment and land sectors, where applicable norms have different regulatory logics and are not always compatible with each other. This phenomenon reflects the existence of systemic norm conflicts, which according to the literature can hamper the effectiveness of economic policies and reduce overall productivity levels (Letta & Tol, 2018).

Regulatory disharmony is also evident in the implementation of the Job Creation Law, which aims to simplify investment licensing through a risk-based approach. While conceptually this policy is a progressive step, in practice, there is still a lack of synchronization with sectoral regulations, which have not yet been fully adjusted. This has given rise to a dual licensing system, where the new risk-based mechanism coexists with the old, more bureaucratic one. This situation creates legal uncertainty for businesses, as they must navigate two different regulatory regimes simultaneously. Previous research has shown that such policy uncertainty can have long-term impacts on economic output and investment growth (Bastien-Olvera et al., 2021). Regulatory fragmentation is also exacerbated by the decentralization of authority between the central and regional governments. Regional autonomy provides legitimacy for local governments to regulate investment policies according to their regional characteristics. However, without an effective coordination mechanism, this has led to significant regulatory disparities between regions. This study found that some local governments impose additional requirements inconsistent with national policies, such as regional levies, additional administrative requirements, or differing interpretations of central regulations. This phenomenon reinforces the finding that regional policy variations can produce uneven economic impacts and increase investment uncertainty (Zhang & Masron, 2023).

Furthermore, institutional aspects also contribute to regulatory fragmentation. The large number of agencies with authority over the investment licensing process leads to overlapping authority. Although the Online Single Submission (OSS) system has been established as an effort to integrate licensing services, in practice, coordination between agencies remains suboptimal. This results in the licensing process still requiring interaction with various agencies with differing standards and procedures. This situation aligns with findings that institutional complexity can increase transaction costs and reduce economic efficiency (Chang et al., 2023). Normative disharmony is also reflected in the inconsistent use of legal terminology in various

ISSN [Online]: 2808-2923

regulations. This study found that terms such as "permit," "approval," and "recommendation" are often used interchangeably without clear and consistent definitions. This creates ambiguity in legal interpretation and opens up wide scope for bureaucratic discretion. From an administrative law perspective, this situation has the potential to lead to maladministration and even corruption, due to the lack of clear standards for decision-making. The literature shows that unclear legal norms can increase the risk of uncertainty and reduce trust in the legal system (Mumtaz & Alessandri, 2021).

Furthermore, regulatory fragmentation also has a substantive dimension related to differing paradigms in policy formulation. Some regulations still prioritize a protectionist approach, while others encourage investment liberalization. These differing paradigms create inconsistencies in policy direction, ultimately confusing investors. Globally, this situation can reduce Indonesia's competitiveness compared to other countries with more integrated and consistent regulatory systems. Research shows that uncoordinated policies can cause significant economic losses, particularly in developing countries (Cai et al., 2022). This disharmony phenomenon is also inextricably linked to the limitations of econometric and policy approaches in capturing the complexity of the legal system. Woillez et al. (2020) emphasize that policy models often fail to reflect the systemic impacts of complex structural changes (Woillez et al., 2020). This is relevant in the Indonesian context, where regulatory reforms are often implemented in a piecemeal manner without considering the interconnectedness between sectors as a whole. As a result, reforms intended to simplify regulations have the potential to add new complexity.

Furthermore, criticism of conventional economic approaches is also relevant in explaining regulatory fragmentation. Keen (2020) argues that many economic policy models tend to underestimate the structural impact of systemic change (Keen, 2020). In the context of investment law, this is reflected in the tendency to focus on deregulation without considering the need for normative harmonization. However, without adequate integration, deregulation will only result in new and more complex fragmentation. The fragmentation of investment regulations in Indonesia is a multidimensional problem involving normative, institutional, and implementation aspects. The resulting disharmony not only creates legal uncertainty but also impacts economic efficiency and investment competitiveness. Therefore, a more comprehensive and systematic reform approach is needed, focusing not only on regulatory simplification but also on harmonization and integration of the legal system as a whole. This approach is crucial to ensuring that Indonesia's investment legal system provides certainty, fairness, and benefits to all stakeholders.

4.2. Implications of Regulatory Disharmony on Legal Certainty and the Investment Climate

Regulatory disharmony within Indonesia's investment system has significant implications for legal certainty and the investment climate, which in turn impacts the overall competitiveness of the national economy. Legal certainty in the investment context relates not only to the existence of clearly written legal norms but also encompasses aspects of consistent implementation, policy stability, and the long-term predictability of the legal system. When regulations are fragmented and disharmonious, legal certainty is compromised, creating a less conducive investment environment. This is in line with findings that policy and regulatory uncertainty can increase economic risk and hinder investment growth (Chang et al., 2023). The resulting regulatory fragmentation has led to structural legal uncertainty, where investors must navigate a variety of inconsistent norms. This uncertainty not only increases legal risk but also increases transaction costs borne by businesses. From an institutional economic perspective, high transaction costs are a major obstacle to investment activity, as they can reduce business efficiency and profitability. Research shows that regulatory uncertainty has a direct impact on productivity and economic performance, particularly in developing countries (Letta & Tol, 2018).

Regulatory uncertainty makes it difficult for investors to understand and comply with various applicable legal requirements. This is particularly true for foreign investors who lack a thorough understanding of the national legal system. High regulatory complexity, coupled with inconsistencies in implementation, makes the licensing process inefficient and time-consuming. In practice, investors often have to consult with various parties, including legal consultants and government agencies, to ensure compliance with applicable regulations. This situation reinforces the finding that policy uncertainty can have long-term impacts on economic output and investment (Bastien-Olvera et al., 2021). Furthermore, regulatory disharmony also increases compliance costs, a crucial component in calculating investment feasibility. Investors must allocate additional resources to understand, interpret, and comply with numerous legal obligations that frequently change and are inconsistent. In some cases, investors even face the risk of administrative or legal sanctions due to unclear norms, despite their efforts to comply with existing regulations. This demonstrates that legal uncertainty is not merely theoretical but has real consequences that can be detrimental to business actors. Research shows that policy volatility and regulatory instability can increase economic risk and undermine market confidence (Mumtaz & Alessandri, 2021).

Another implication of regulatory disharmony is a decline in investor confidence in Indonesia's legal system. Globally, investors tend to choose countries with stable, transparent, and predictable legal systems. When regulations in a country are perceived as inconsistent or frequently changing, investment risks increase, leading investors to seek alternatives in other countries that offer greater legal certainty. This aligns with findings that uncoordinated policies can cause significant economic losses and reduce investment attractiveness (Cai et al., 2022). Regulatory disharmony also impacts the effectiveness of the government's investment reform policies. In recent years, the Indonesian government has undertaken various deregulation and debureaucratization efforts, including the implementation of the Online Single Submission (OSS) system and the enactment of the Job Creation Law. However, this study shows that the implementation of these policies still faces significant obstacles, primarily due to inconsistencies between central and regional regulations, as well as between sectors. As a result, the goals of creating ease of doing business and increasing investment have not been fully achieved. This situation reflects that regulatory reforms that are not accompanied by normative harmonization have the potential to increase the complexity of the legal system.

Comparatively, countries that successfully attract investment generally have simple and integrated regulatory systems. They are able to create a legal environment that provides certainty and convenience for investors, thereby increasing economic competitiveness. Conversely, countries with complex and inconsistent regulatory systems tend to struggle to attract investment, despite their significant economic potential. Research shows that regional and sectoral policy differences can result in uneven economic impacts and increase investment uncertainty (Zhang & Masron, 2023). Furthermore, criticism of policy approaches that oversimplify systemic complexity is also relevant in this context. Keen (2020) emphasizes that conventional economic approaches often fail to capture the structural impacts of systemic change (Keen, 2020). In the context of investment regulation, this is reflected in deregulation policies that are not accompanied by adequate harmonization efforts. As a result, despite the reduction in the number of regulations, the complexity of the legal system remains high due to inconsistencies between norms.

Woillez et al. (2020) also show that policy models often fail to capture the systemic impacts of complex structural changes (Woillez et al., 2020). This is relevant in explaining why regulatory reforms in Indonesia have not been fully effective in increasing legal certainty. Without a comprehensive and integrated approach, reforms will only result in partial changes that fail to address the root causes. Regulatory disharmony in Indonesia's investment system has broad and profound implications for legal certainty and the investment climate. The resulting uncertainty not only increases risks and costs for investors but also undermines confidence in the legal system and hampers the effectiveness of reform policies. Therefore, more systematic and integrated efforts are needed to harmonize regulations to create a more stable, transparent, and competitive investment environment.

4.3. The investment regulatory reform agenda in Indonesia

The investment regulatory reform agenda in Indonesia is a necessity in an effort to address legal fragmentation, which has been proven to cause normative disharmony and investment uncertainty. Based on research findings, such reforms cannot be implemented partially or sectorally but must be designed

ISSN [Online]: 2808-2923

comprehensively by integrating various legal, institutional, and policy implementation dimensions. Regulatory harmonization is key to creating a legal system capable of providing certainty, consistency, and predictability for investors, thereby increasing Indonesia's attractiveness as a global investment destination. In this context, the literature shows that regulatory stability and policy certainty are determinants in increasing investor confidence and driving long-term economic growth (Bastien-Olvera et al., 2021). From a legal substance perspective, regulatory reform must be directed at harmonizing various legal norms governing investment, both vertically and horizontally. Vertical harmonization is necessary to ensure consistency between central and regional laws and regulations, while horizontal harmonization aims to integrate regulations across sectors, which have so far been operating fragmentarily. In practice, the government needs to conduct regular regulatory reviews to identify norms that overlap, conflict, or are no longer relevant to economic development. This process is crucial for creating a simpler and more efficient regulatory system. Research shows that high regulatory complexity can increase economic costs and reduce investment efficiency (Chang et al., 2023).

Legal substance reform also requires attention to the consistency of terminology and legal concepts used in various regulations. Inconsistent terminology is often a major source of normative disharmony, as it gives rise to differing interpretations at the implementation level. Therefore, clear and measurable standardization of legal concepts is necessary to reduce ambiguity and increase legal certainty. From an economic perspective, unclear legal norms can negatively impact productivity and economic growth, particularly in developing countries (Letta & Tol, 2018). From an institutional aspect, reform of investment regulations requires strengthening the role of institutions responsible for coordinating investment policy. In the Indonesian context, the Investment Coordinating Board (BKPM) or institutions that have similar functions must be given broader authority to integrate various sectoral policies. Strengthening these institutions is important to reduce overlapping authority between agencies which has been one of the main causes of regulatory fragmentation. Apart from that, it is necessary to build an effective coordination mechanism between the central and regional governments, so that investment policies can be implemented consistently throughout Indonesia. Research shows that policy incoherence between regions can cause economic disparities and increase investment uncertainty (Zhang & Masron, 2023).

Institutional strengthening must also be accompanied by increased human resource capacity within the bureaucracy. Government officials need to have a sufficient understanding of applicable regulations and the ability to implement them consistently and transparently. In this regard, training and regulatory outreach are crucial tools for reducing differences in interpretation in the field. Without adequate capacity, regulatory harmonization at the normative level will be ineffective in practice. This aligns with findings that uncertainty in policy implementation can increase economic risk and undermine investor confidence (Mumtaz & Alessandri, 2021). From an implementation perspective, optimizing the use of information technology is a crucial strategy in investment regulatory reform. The Online Single Submission (OSS) system represents a progressive step in simplifying the licensing process and increasing transparency. However, the effectiveness of this system still depends on the level of integration with sectoral regulations and existing institutional readiness. Therefore, further efforts are needed to ensure that the entire licensing process can be carried out in an integrated manner through a single platform that is easily accessible and understood by business actors. Research shows that efficient administrative systems can improve economic performance and attract greater investment (Azhar et al., 2025).

A comparative approach also provides important insights for formulating a regulatory reform agenda. Countries that successfully create a conducive investment climate generally have simple, transparent, and integrated regulatory systems. They are able to reduce unnecessary bureaucracy, simplify licensing procedures, and provide efficient dispute resolution mechanisms. Indonesia can adopt best practices from these countries, while still considering the characteristics of its national legal system. Research shows that well-coordinated policies can boost economic growth and reduce investment risks (Cai et al., 2022). However, regulatory reform should not focus solely on economic aspects but must also consider social and environmental aspects. Sustainable investment requires a balance between economic interests, environmental protection, and public welfare. Therefore, regulatory harmonization must be carried out with a holistic approach, integrating these various interests within a coherent legal framework. This is crucial to ensure that investments not only provide short-term profits but also contribute to sustainable development. Research shows that policy approaches that fail to consider the complexity of the system can have unintended impacts (Woillez et al., 2020).

Criticism of overly simplistic deregulation approaches also needs to be addressed in the reform agenda. Keen (2020) emphasized that regulatory simplification without adequate harmonization can lead to greater policy distortions (Keen, 2020). In the Indonesian context, this means that regulatory reform must be carried out carefully and deliberately, taking into account the interrelationships between sectors and their impact on the legal system as a whole. The fragmentation of investment regulations in Indonesia is a complex issue that requires a multidimensional approach. The resulting normative disharmony impacts not only legal certainty but also national economic competitiveness. Therefore, a regulatory reform agenda focused on harmonization and integration is crucial for creating a more effective, efficient, and sustainable investment legal system. With targeted and comprehensive reforms, it is hoped that Indonesia can create a more conducive investment environment, thereby attract more investment and encouraging inclusive and sustainable economic growth.

V. Conclusion

The fragmentation of investment regulations in Indonesia is a structural and systemic problem rooted in the complexity of the multi-layered legal system and the lack of harmonization between norms and institutions. The resulting normative disharmony, whether in the form of conflicting norms, overlapping authorities, or inconsistent regulations across sectors and regions, has been shown to create significant legal uncertainty for investors. This situation not only increases legal risks and transaction costs but also reduces investor confidence in the national legal system, thus directly impacting Indonesia's investment attractiveness and economic competitiveness. Furthermore, research findings indicate that various regulatory reform efforts, including through deregulation and the digitalization of licensing, have not been fully effective due to ongoing regulatory inconsistencies and weak institutional coordination. Therefore, future investment regulatory reform must be directed towards a comprehensive and integrated approach, emphasizing legal harmonization, institutional strengthening, and increased implementation capacity. This will create a more consistent, transparent, and predictive investment legal system, ultimately ensure legal certainty and encouraging sustainable investment growth in Indonesia.

References

Aristo, E., Diaz, M. R., & Putri, J. K. (2024). Risk-based licensing arrangements: Between convenience and legal certainty. DiH: Jurnal Ilmu Hukum, 20(1), 15–24. https://doi.org/10.30996/dih.v20i1.9725

Azhar, M., Ilyas, S., Ali, S. Y., & Shafiq, A. (2025). Assessing the macroeconomic consequences of climate change: Impacts on GDP growth, inflation volatility, and agricultural productivity in developing economies. Review Journal of Social Psychology & Social Works. https://doi.org/10.71145/rjsp.v3i2.191

Bastien-Olvera, B., Granella, F., & Moore, F. (2021). Persistent effect of temperature on GDP identified from lower frequency temperature variability. Environmental Research Letters, 17. https://doi.org/10.1088/1748-9326/ac82c2

Cai, Y., Brock, W., & Xepapadeas, A. (2022). Climate change impact on economic growth: Regional climate policy under cooperation and noncooperation. Journal of the Association of Environmental and Resource Economists, 10, 569–605. https://doi.org/10.1086/722274

Chang, J., Mi, Z., & Wei, Y.-M. (2023). Temperature and GDP: A review of climate econometrics analysis. Structural Change and Economic Dynamics. https://doi.org/10.1016/j.strueco.2023.05.009

ISSN [Online]: 2808-2923

Duri, R., Hidayat, B. A., & Sinaga, R. D. (2024). Effectiveness of the Online Single Submission Risk-Based Approach (OSS RBA): Innovation in licensing for micro and small businesses in urban areas. Matra Pembaruan: Jurnal Inovasi Kebijakan, 8(2), 103–116. https://doi.org/10.21787/mp.8.2.2024.103-116

Keen, S. (2020). The appallingly bad neoclassical economics of climate change. Globalizations, 18, 1149–1177. https://doi.org/10.1080/14747731.2020.1807856

Letta, M., & Tol, R. S. J. (2018). Weather, climate and total factor productivity. Environmental and Resource Economics, 73, 283–305. https://doi.org/10.1007/s10640-018-0262-8

Mammo, B. (2022). Climate change and its impact on agricultural GDP growth in Ethiopia: A time series analysis. International Journal of Academic Research in Economics and Management Sciences, 11(2). https://doi.org/10.6007/ijarems/v11-i2/13971

Mirozul, A., Wati, D. S., & Meliala, A. J. (2025). Risk-based business licensing according perspective of investment certainty in Indonesia. Journal of Progressive Law and Legal Studies, 3(2), 254–268. https://doi.org/10.59653/jplls.v3i02.1723

Mumtaz, H., & Alessandri, P. (2021). The macroeconomic cost of climate volatility. Macroeconomics: Prices. https://doi.org/10.2139/ssrn.3895032

Musthafa, A. R., Putrazta, S. A., Edwinarta, C. D., & Fitriani, N. A. (2023). Keabsahan penggunaan One Single Submission Risk-Based Approach (OSS RBA) sebagai sistem perizinan berusaha. Jurnal Legislasi Indonesia, 20(4), 68–78. https://doi.org/10.54629/jli.v20i4.1095

OECD. (2012). Recommendation of the Council on Regulatory Policy and Governance. OECD Publishing. https://doi.org/10.1787/9789264209022-en

OECD. (2020). OECD Investment Policy Reviews: Indonesia 2020. OECD Publishing. https://doi.org/10.1787/b56512da-en

OECD. (2021). OECD Regulatory Policy Outlook 2021. OECD Publishing. https://doi.org/10.1787/38b0fdb1-en

Putro, T. A. (2021). Establishment of omnibus law in solving investment issues in Indonesia. Indonesian Comparative Law Review, 3(2), 105–123. https://doi.org/10.18196/iclr.v3i2.12738

Rachmania, S. N., Sukarmi, & Hadiyantina, S. (2025). Legal analysis of the ratio legis behind risk-based business licensing reform in Indonesia: A study of PP No. 24/2018 and PP No. 5/2021. Law and Safety, 96(1), 140–149. https://doi.org/10.32631/pb.2025.1.12

Republic of Indonesia. (2007). Law Number 25 of 2007 concerning Investment.

Republic of Indonesia. (2021a). Presidential Regulation Number 10 of 2021 concerning Investment Business Fields.

Republic of Indonesia. (2021b). Presidential Regulation Number 49 of 2021 concerning Amendment to Presidential Regulation Number 10 of 2021 concerning Investment Business Fields.

Republic of Indonesia. (2023). Law Number 6 of 2023 concerning the Stipulation of Government Regulation in Lieu of Law Number 2 of 2022 concerning Job Creation as Law.

Republic of Indonesia. (2025). Government Regulation Number 28 of 2025 concerning the Implementation of Risk-Based Business Licensing.

Woillez, M., Giraud, G., & Godin, A. (2020). Economic impacts of a glacial period: A thought experiment to assess the disconnect between econometrics and climate sciences. Earth System Dynamics, 11, 1073–1090. https://doi.org/10.5194/esd-11-1073-2020

Zhang, X., & Masron, T. A. (2023). Does climate affect regional economic development in China? Cogent Social Sciences, 9. https://doi.org/10.1080/23311886.2023.2283918