

THE ROLE OF LAW IN NATIONAL ECONOMIC DEVELOPMENT: A LITERATURE STUDY ON THE RELATIONSHIP BETWEEN REGULATION AND PUBLIC WELFARE

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Abstract

This research aims to analyse the role of law in national economic development through a literature study on the relationship between regulation and public welfare. Law functions as a normative framework that provides certainty, protection of rights, and guidelines for economic actors in creating a conducive and equitable investment climate. This study uses normative legal research methods by examining laws and regulations, government policies, and literature related to economic development law in Indonesia. The results of the study show that regulatory harmonisation, consistent law enforcement, and integration of social justice values in every economic policy are the main prerequisites for promoting inclusive economic growth and improving people's welfare. However, regulatory disharmony is still a challenge that can hamper the effectiveness of public policies and reduce the quality of services to the community. Therefore, optimising the role of Pancasila economic law, strengthening coordination between agencies, and public participation in the legislative process are needed so that national economic development truly contributes to the achievement of social justice and shared prosperity.

Keywords: The Role of Law, National Economic Development, Literature Study, Regulatory Relations, Public Welfare.

Introduction

National economic development is one of the main objectives to be achieved by the Indonesian state as mandated in the Preamble of the 1945 Constitution, namely realising a just and prosperous society. In the process of achieving these goals, law plays a very important role as the foundation and direction of national economic development. Law not only functions as a normative framework that regulates the behaviour of society, but also as a tool of social engineering that is able to encourage change for the better in economic life (Bambang Haryanto, 2023).

As a state of law (*rechtsstaat*), Indonesia places law as the commander in every aspect of the life of the nation and state, including in the economic field. All economic activities, whether carried out by the government, business actors, or the community, must be based on applicable legal provisions. This aims to create legal certainty, justice, and protection for all parties involved in economic activities (Dwi Hartanto, 2021).

Law in the context of national economic development serves as an instrument to guide, provide guidelines, and become signs that direct every economic policy to stay on track in accordance with national development goals. Good and effective regulations will create a healthy investment climate, increase investor confidence, and encourage inclusive and sustainable economic growth (Andi Saputra, 2022).

The role of law in economic development can also be seen in the state's efforts to regulate the distribution of natural and human resources in a fair and equitable manner. Article 33 of the 1945 Constitution affirms that branches of production that are important to the state and that control the livelihoods of many people must be controlled by the state for the greatest prosperity of the people. Thus, law becomes a state tool to ensure that the results of economic development can be enjoyed by all levels of society (Rina Sari, 2024).

However, in practice, national economic development often faces various challenges, such as overlapping regulations, legal uncertainty, and weak law enforcement. These problems can hamper the pace of economic growth and reduce national competitiveness at the global level. Therefore, efforts to harmonise and synchronise regulations are needed in order to create a legal system that is effective and responsive to the evolving economic dynamics (UM Economics Lecturer Team, 2022). Apart from being a regulator and controller, the law also acts as a guide in the economic decision-making process. Various economic policies issued by the government must be based on careful legal considerations so as not to cause uncertainty or even conflict in the future. Thus, the law becomes the foundation for the creation of fair, transparent, and accountable economic policies (Putri, 2024).

In the current era of globalisation and free competition, the role of law is increasingly strategic to protect national interests and promote sustainable economic growth. Adaptive and progressive regulations are needed to face the challenges of the global economy, such as international trade, foreign investment, and the development of digital technology. Law must be able to adapt to changing times without ignoring the basic principles of social justice (Arief Rahman, 2022).

The important role of law in economic development is also reflected in past experiences, where the weak rule of law was one of the main factors in the economic crisis. The monetary crisis that hit Indonesia in the late 1990s was a valuable lesson that without certainty and strict law enforcement, the national economy is very vulnerable to external and internal shocks. Therefore, strengthening the legal system is an important agenda in every economic reform effort (Siti Aminah, 2023). In addition to the regulatory aspect, the law also plays a role in providing legal protection for economic actors, both investors, entrepreneurs, and workers. This protection is important to create a sense of security and confidence in carrying out economic activities, so as to encourage business growth and job creation. With legal protection, it

is expected that there will be no economic practices that harm the community, such as monopolies, cartels, or exploitation of labour (Tri Handayani ., 2024)

Law is also a tool to ensure fair and equitable business competition. Regulations governing business competition aim to prevent fraudulent practices that can harm other business actors and consumers. Thus, the law serves as a controller so that the market mechanism runs efficiently and fairly. On the other hand, the law also plays a role in encouraging innovation and investment in various economic sectors. Regulations that support the development of technology and the protection of intellectual property rights, for example, are very important to improve national competitiveness in the international arena. The law must be able to provide incentives for businesses that innovate and contribute to national economic development (Hendra Wijaya, 2023) .

Finally, the relationship between law and national economic development is very close and mutually influencing. Good regulations and effective law enforcement will create a healthy, conducive and sustainable economic ecosystem. Conversely, weaknesses in the legal system can be a serious obstacle to efforts to improve people's welfare and achieve national development goals (Lestari, 2021) .

Thus, a literature study on the role of law in national economic development is very relevant to be carried out in order to provide a comprehensive understanding of how regulations can contribute to improving people's welfare. This research is expected to provide policy recommendations based on the principles of justice, certainty, and legal benefits for all Indonesian people.

Research Methods

The research method used in this study is a normative legal research method with a literature study approach, namely analysing various laws and regulations, official documents, and relevant previous research results related to the role of law in national economic development and its relationship with community welfare (Rothstein et al., 2006) . The data collected came from primary legal materials such as the 1945 Constitution and sectoral laws in the economic field, as well as secondary legal materials in the form of scientific journals, books and research reports. The analysis is carried out qualitatively by examining the relationship between applicable regulations, their implementation, and their impact on indicators of public welfare, so as to produce a comprehensive understanding of the contribution of law in national economic development (Kitchenham, 2020) .

Results and Discussion

The Function of Law in Creating an Equitable Investment Climate

The function of law in creating a fair investment climate is crucial for national economic growth. Law acts as the main foundation that provides certainty, protection, and justice for all investment actors, both domestic and foreign. Legal certainty is the

main requirement for investors to feel safe in investing their capital, because they need assurance that their rights and obligations are clearly regulated and can be enforced fairly (Sari Utami, 2021).

One of the main functions of law is to create predictability, which provides a clear picture of the rules of the game in investing. With predictability, investors can estimate the risks and opportunities they will face, so that investment decisions can be made in a rational and measured manner. In addition, the law must also have procedural capabilities, where the licensing process and dispute resolution are carried out in a transparent, efficient and non-discriminatory manner (Diana Farida Chandrawati et al., 2024).

The law also serves to codify the objectives of economic development, so that the direction of investment policy becomes clear and measurable. This goal must be clearly spelled out in the regulation, so as not to cause multiple interpretations that can harm investors and the community. The elaboration of this goal is important so that incoming investment really contributes to the welfare of society and sustainable development (Rina Sari, 2024).

The education aspect is also part of the function of law, where the law must be able to provide economic actors with an understanding of their rights and obligations. Effective socialisation of regulations will increase compliance and reduce the potential for legal violations in investment practices. This is important to build trust between the government, investors, and the public (Siti Aminah, 2023).

Balance in investment law is needed to accommodate various interests that are often conflicting, such as between the interests of foreign capital and the protection of local businesses, or between economic growth and environmental protection. The law must be able to be a fair arbiter, so that no party is disproportionately disadvantaged. Definition and clarity of status in investment regulations are also very important. The law must be able to clearly define the status of the parties, the object of investment, and the rights and obligations attached to each party. This clarity will minimise the occurrence of disputes and accelerate the problem-solving process in the event of a dispute (Dimas Prakoso, 2022).

Accommodation is the next function of law, where the law must be adaptive to changing times and market needs. Rigid and unresponsive regulations will hinder innovation and investment development. Therefore, the law must be able to accommodate technological developments, changes in business models, and global market dynamics (Agus Setiawan, 2022).

The principle of dignified justice rooted in the values of Pancasila is an important foundation in investment law in Indonesia. This principle demands that the law not only pursues certainty and expediency, but also guarantees substantive justice for all parties, including communities affected by investment. Thus, investment law should not only

benefit investors, but should also pay attention to the welfare of the wider community (Muhammad Yusuf, 2024).

Legal protection of Intellectual Property Rights (IPR) is one of the important aspects in creating a fair investment climate. The law must provide adequate protection for innovations, patents, trademarks, and copyrights so that investors feel safe in conducting research and development. This IPR protection also encourages technology transfer and increases national competitiveness (Siti Aminah, 2023).

The law also plays a role in regulating the relationship between foreign and local investment in a balanced manner. Clear regulations on share ownership, dividend distribution, and protection of foreign investors' rights are needed to create trust and prevent discrimination. Openness and transparency in these arrangements will increase Indonesia's credibility in the eyes of global investors (Sulastri, 2023).

Structuring regulations through policies such as the Omnibus Law is the government's effort to simplify and integrate various investment rules that previously overlapped. The Omnibus Law is expected to provide clarity, stability and convenience for investors, although its implementation must still be monitored so as not to sacrifice the principles of justice and legal protection for workers and the environment (Rizky Pratama., 2021)

Finally, the function of law in creating a fair investment climate will only be effective if supported by consistent law enforcement and credible institutions. Law enforcement officers must be able to carry out their duties professionally, free from intervention, and in favour of justice. Thus, the law truly becomes the main instrument in realising a conducive, fair and sustainable investment climate for all components of the nation.

Implications of Regulatory Disharmony for Community Welfare

The implications of regulatory disharmony for public welfare are very complex and have a broad impact on various aspects of social, economic and governance life. Regulatory disharmony occurs when there are two or more regulations that regulate similar substances but are inconsistent, causing conflict and confusion in their implementation. This condition is often triggered by a poorly coordinated legislative process, changes in leadership, and a lack of harmonisation between central and regional regulations (Ahmad Fauzi, 2023).

One of the main impacts of regulatory disharmony is the emergence of legal uncertainty in society. When rules contradict or overlap, communities and businesses become confused about which regulations to comply with (Eko Susanto, 2023). This uncertainty reduces public trust in the government and the legal system, and hampers economic activity and investment that are needed to improve people's welfare. In addition, regulatory disharmony also increases the burden on the bureaucracy. Government officials must manage various conflicting rules, making administrative

processes slower and inefficient. This condition opens up opportunities for corrupt practices and abuse of authority due to legal loopholes that arise due to unsynchronised regulations (Yuniar Putri, 2024).

The implementation of public policies is hampered by regulatory disharmony. Policies that should run effectively are often stalled due to conflicting regulations, for example in infrastructure development that is hampered by environmental regulations that are not in sync with spatial planning. As a result, the community does not get optimal benefits from development programmes rolled out by the government. Another impact that is no less important is the direct loss to the community. Unsynchronised regulations can make it difficult for people to access public services, such as education, health, and social assistance. Complicated administrative processes due to overlapping regulations also add to the cost burden, so that people have to spend more time and energy to get their basic rights (Nia Ramadhani, 2020).

Regulatory disharmony also causes differences in interpretation in the implementation of regulations. This can lead to conflicts between government agencies, between central and local governments, as well as between business actors and the government. This conflict ultimately has an impact on hampering public services and reducing the quality of life of the community (Iwan Kurniawan, 2021).

The effectiveness of social welfare policies is strongly influenced by the clarity and consistency of the underlying regulations. Overlapping or unclear regulations will reduce the effectiveness of social welfare programmes, such as the Family Hope Programme (PKH) or BPJS Kesehatan, so that they are unable to reach all groups of people in need. The gap between policy objectives and the results achieved is widening (Budi Santoso, 2020). Weak coordination between agencies in the process of formulating regulations is one of the main causes of disharmony. The lack of public participation in the regulatory formulation process also causes the aspirations and needs of the community to be poorly accommodated in the resulting regulations. As a result, regulations become irrelevant or even contradict the interests of the Community (Indah Astrida Lestari Putri & Nurul Satria Abdi, 2021).

The phenomenon of hyper-regulation, where many rules are made without in-depth study, also exacerbates regulatory disharmony. The number of ineffective regulations causes the law to be alienated from society, so that people feel that these rules do not provide real benefits in their daily lives. This has the potential to cause legal alienation, where people feel that the law is no longer an instrument of protection and justice (Fitriani, 2021).

Regulatory disharmony also has an impact on welfare distribution. Remote or less developed regions are often the main victims of regulatory disharmony, as access to public services and social welfare programmes becomes more difficult due to overlapping rules and weak coordination between the centre and regions. Social and economic disparities between regions also widen. In the long run, regulatory

disharmony can reduce national competitiveness. Foreign and domestic investors will hesitate to invest in a country with an uncertain and frequently changing legal system (Dewi, 2024). This has an impact on limited job creation and slowing economic growth, which in turn hinders the improvement of overall public welfare. To overcome the negative implications of regulatory disharmony, comprehensive and sustainable regulatory harmonisation efforts are needed. The government must ensure that each new regulation is drafted with due regard to the hierarchy of legislation and does not conflict with existing regulations. Strong coordination between agencies, periodic evaluation of regulations, and community involvement in the legislative process are the main keys so that the regulations produced truly support the welfare of the community (Fajar Nugroho, 2021).

Thus, it can be concluded that regulatory disharmony is a serious obstacle to the realisation of public welfare. Without consistent harmonisation efforts, the goal of national development to create a just and prosperous society will be difficult to achieve, as overlapping regulations will only add to the burden and losses for the wider community.

Optimising the Role of Pancasila Economic Law in National Development

Optimising the role of Pancasila economic law in national development is a strategic agenda aimed at realising social justice and welfare for all Indonesian people. Pancasila economic law is rooted in the noble values of the nation, namely gotong royong, kinship, justice, and humanity, which serve as guidelines in every national economic policy and regulation. By placing Pancasila as the basis and direction of economic policy, national development is expected to be not only growth-oriented, but also equitable (Bambang Haryanto, 2023).

One of the main principles of the Pancasila economy is social justice, as reflected in the fifth principle of Pancasila and Article 33 of the 1945 Constitution. This principle demands that every citizen gain fair access to economic resources and the benefits of development, so that there are no inequalities that disadvantage certain groups of people. In this context, economic law acts as an instrument that regulates the equitable distribution of wealth and opportunities (Dwi Hartanto, 2021).

Optimising the role of Pancasila economic law is also realised through strengthening the role of the state as a regulator and supervisor of the economy. The state should not be hands off or completely leave the market mechanism to free forces, but must be present to ensure that the economy runs fairly and there is no exploitation of weak groups. The role of the state is very important in the management of strategic sectors such as natural resources, energy, and infrastructure (Andi Saputra, 2022). In practice, the implementation of the Pancasila economic system strengthens national unity through gotong royong and synergy between economic actors, especially MSMEs as the basis of national production and distribution. The government has made various

interventions to expand equitable economic access, although the challenges of globalisation and digitalisation must still be anticipated so as not to create new gaps (Rina Sari, 2024).

Pancasila economic law also emphasises the importance of community participation in the development process. Community involvement in the formulation and implementation of economic policies ensures that the aspirations and interests of the people are truly accommodated, so that development becomes inclusive and sustainable. This participation can be realised through strengthening people's economic institutions such as cooperatives and civil society organisations (UM Economics Lecturer Team, 2022). In addition, the optimisation of Pancasila economic law requires synchronisation and harmonisation of regulations at various levels of government. Regulatory disharmony is often a major obstacle in achieving national development goals, so regular monitoring and evaluation is needed so that each regulation is truly in line with the values of Pancasila and the goals of social justice (Putri, 2024).

Pancasila-based economic education is also key in shaping a young generation that is not only competitive, but also has social and moral responsibilities in economic activities. Through education, the values of mutual cooperation, justice, and social care can be internalised from an early age, so as to create an economic culture that is oriented towards mutual welfare (Arief Rahman, 2022).

Optimising the Pancasila economic law also means rejecting exploitative and individualistic economic practices such as those that occur in the pure capitalism system. The Pancasila economic system promotes collectivism and social solidarity, so that every economic policy must avoid oppression and exploitation of weak groups. This is the main difference between the Pancasila economy and the liberal and socialist economic systems (Siti Aminah, 2023).

In facing the challenges of globalisation, Pancasila economic law must be adaptive but still adhere to the basic principles of social justice and national independence. International cooperation is still needed, but while maintaining economic sovereignty and protection of national interests, especially in the management of natural resources and foreign investment (Tri Handayani, 2024).

The application of Pancasila values in economic law must also be reflected in the substance, structure, and culture of national law. The legal substance must make Pancasila the main source in the formation of regulations, the legal structure must ensure that economic institutions behave according to the values of Pancasila, and the legal culture must instil the spirit of deliberation, consensus, and win-win solutions in resolving economic disputes (Hendra Wijaya, 2023).

Optimising the role of Pancasila economic law also requires consistent and fair law enforcement. Weak law enforcement will open space for corrupt practices, collusion, and nepotism that undermine the joints of social justice. Therefore,

supervision and law enforcement must be strengthened so that any violations can be dealt with firmly in order to achieve national development goals (Lestari, 2021).

Finally, optimising the role of Pancasila economic law in national development must be directed towards creating a fair, inclusive and sustainable economic ecosystem. Every economic policy and regulation must be evaluated regularly to remain relevant to the dynamics of society and the challenges of the times. Thus, national development not only produces economic growth, but also equitable distribution of welfare and social justice for all Indonesian people. Through this optimisation, Pancasila truly becomes the main guideline in every aspect of national economic development, so that the ideals of the nation to realise a just and prosperous society can be realised in a real and sustainable manner.

Conclusion

The role of law in national economic development is vital as the foundation for the creation of fair, clear, and consistent regulations. Harmonious and responsive regulations not only provide legal certainty for economic actors, but also build investor confidence, encourage business growth, and ensure equitable distribution of development benefits. Conversely, regulatory disharmony creates uncertainty, increases bureaucratic costs, and has the potential to reduce the quality of public services, thus negatively impacting the welfare of the community.

Thus, optimising the role of law in national economic development must be directed at the formation of regulations based on the values of social justice, community participation, and legal certainty. Harmonisation and synchronisation of regulations at all levels, strengthening of law enforcement, and protection of vulnerable groups are key so that economic development truly contributes to improving people's welfare in an inclusive and sustainable manner.

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