International Research Conference on Economics and Business (IRCEB)

Proceedings

Faculty of Economics
Universitas Negeri Malang

Published by:
Faculty of Economics
Universitas Negeri Malang
Jl. Semarang 5, Malang, 65145
Email: fe@um.ac.id
Telepon : (0341) 585913
Fax : (0341) 552888

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First published in 2017

Editor : Yuli Soesetio
Layout : Yuli Soesetio
Cover Design : Amal Agung Cahyadi


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International Research Conference on Economics and Business
Atria Hotel, Malang, 11-12 December 2017

WELCOMING SPEECH

We are delighted to welcome you to Malang, Indonesia.

For the first time, this conference is held under the name IRCEB – the International Research Conference on Economics and Business. This year’s conference brings together more than 200 participants from around the world to discuss the latest advances in economics and business.

We are honored to have two keynote speakers in this conference: Professor Claudio Morana from Milan State University and Dr. Rubi Ahmad from University of Malaya.

We are hoping that you take time not only for paper presentation, but also to actively engage with the presenters and participants and to take this opportunity to further develop your professional links.

The conference will not be possible to be organized without the dedicated efforts of many individuals who have contributed to the various processes that make up this event. For their dedication, we sincerely convey our appreciation. Our sincere gratitude also goes to our institutions’ partners that provide their supports as co-hosts and sponsors in this conference.

Last but not least, Malang with its exotic and unique atmosphere is very interesting to be explored. So, enjoy your stay in Malang.

Dean
Faculty of Economics Universitas Negeri Malang
Dr. H. Cipto Wardoyo, S.E, M.Pd, M.Si, Ak., CA
International Research Conference on Economics and Business
Atria Hotel, Malang, 11-12 December 2017

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2) Universitas Negeri Malang Towards National Economic Rescue And Cakti Economic Theory (Cet) to Do With Keynesian
   Cakti Indra Gunawan, Putriyana Asmarani
   Tribuana Tunggadewi University, International Research Development for Human Beings

3) The Importance Of Law Certainty To Increase The Role Of Investment In Indonesia (Case Study on Land Rights)
   Yoyon Mulyana Darusman
   Pamulang University

4) Priorities of Education Quality Service With Higher Education for Sustainable Development (HESD) Dimensions
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   Universitas Airlangga

5) Do Migrants Make The City Worse? (Ordinal Logit Model And Ordinary Least Square Application)
   Chrisnina Maharani, Hera Susanti
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6) Teacher Competency Improvement Business Management Expertise Through Classroom Action Research
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   Surabaya State University

7) Growth Failure During Early Life and School Achievement: Indonesian Experience 2000-2014
   Israul Hasanah, Hera Susanti
   University of Indonesia

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   Anton A Setyawan, Muzakar Isa, Sidiq P Nugroho, M Farid Wajdi
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9) The Development of Web-Based Special Job Market (Bkk) ofSMK Negeri Jatipuro, Karanganyar Regency to Increase the Absorbability of Graduates in the Working World
   Dhany Efita Sari, Sigit Santosa, Susilaningsih
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10) Developing Project-Based Learning Through Food Bank in Civic Education
   Yayuk Mardiati, Katarina Leba
   University of Jember

11) Integrate Sustainable Development in Accounting Education
    Kurnia Ekasari
    Politeknik Negeri Malang
Abstract

Social Justice for all Indonesians is the fifth percept of Pancasila which is written in percepts of Pancasila. The values contain in the fifth percept of Pancasila “Social Justice for All Indonesians” It is the ideal noble for Indonesian Nation in providing the best prosperity for all Indonesians. To achieve the ideal noble for All Indonesians is one of the important elements the increase of economic growth, so that with the increase of economic growth, the people’s economy will run smooth and one of the important components in the economic growth is the creation of conducive investment, both domestically and abroad. The research is the normative research by using secondary data in doing analysis. Investment is the trust of national and foreign business actors to place their money in the country. Therefore, in order for business actors to have confidence to place their money in business activities, There is a guarantee of legal certainty in the investments provided by the Indonesian government. The Law is one of the most important elements in supporting the investment program, The government which in charge has issued Law no. 25 of 2007 on Capital Investment, as replacement of law No.1 of 1967 concerning foreign investment and law no.6 of 1968 on domestic investment. The above regulation is revising the regulation no. 5 of 1960 concerning land reform program of the government. There are some aspects which are very influential in the implementation of investment in the country, such as: political aspects, sociological aspects, ecological aspects, and cultural aspects. Therefore, only the creation of legal certainty in investing. These aspects can be eliminated.

Key words: Capital investment, Prosperity and Legal Certainty
A. Background of Study.

Indonesia is a developing country that is coming towards a developed country. A developed country is a country whose level of welfare has almost the entire of its citizens enjoying prosperity, as a result of the success of development in various fields. The people welfare either in aspects of income, employment, minimum wage levels, basic needs or access to basic daily facilities is still far from what we have expected. The capacity and capability and partiality of the government in providing public services to the public for basic social services is very low and very limited. Many basic rights either social or economic that can be fulfilled. Therefore, to rectify the above deficiencies, there are several indicators that are expected to support the achievement of a developed and prosperous country, these can be indicated by the establishment of: (a) political stability, (b) economic stability, (c) good law enforcement, and (d) a good society culture. The Indonesia actually refers to the noble values of Pancasila, especially the fifth principle of achieving social justice for all Indonesian people, is a noble aspiration in order to realize Indonesia as a developed country in order to create a welfare state.

From the above indicators, economic stability is also a very important thing in order to create a prosperous society. The realization of economic stability will sustain the achievement of good economic growth of society, which will ultimately provide a good level of welfare to the community. The growth of the people's economy does not necessarily run on its own, but also requires the participation of investors, both domestic and foreign investors, who want to invest their capital in business activities in a country, especially, in this case, in Indonesia. It is also can be seen from the others development countries, participation of investors is very importance to support the economic growth of the countries.

One of the fundamental and common indicator for measuring the prosperity and progress of a nation, state or society is the per capita income that is gained. This indicator shows the level of income generated and enjoyed by each resident of a country on an aggregate average scale. Prosperity and progress of each person or population (capita) which becomes the basic and essential objective of a nation's economic development. Although there are still indicators or other measures, but this indicator has been used long time ago and globally. One of the other indicators as mentioned is, among others, the increase of domestic and foreign capital investment, in order that at least will support the enthusiasm of business that will ultimately provide an opportunity for the public to get a job.

Indonesia, if viewed from the side of history is a country that has a political stability that is not so good, in which the instability of politics have an impact on being unrealized of legal certainty. This can be seen from two phases of the history of legal development, they are: (a) the phase of the absence of legal order can be seen at that time the absence of legal order from the era of proclamation of August 17, 1945 until the issuance of decree July 5, 1959. (b) phase of legal order by being stipulated DECREE

1 Prabowo Subianto, et.al. Reconstructing Indonesia Raya (Great Strategy of Nation Transformation) Institut Garuda Nusantara (Study Center of Indonesian Strategic Policy). Jakarta 2013. Page 63
2 Ibid, Prabowo Subianto. et.al Page 63
3 Ibid, Prabowo Subianto. et.al Page 35
OF MPRS no. XX / MPRS / 1966 until the enactment of Law No. 12 of 2011 on the Formulation of Legislation. From the two things as above mentioned, certainly it is very influential on the realization of economic stability of Indonesia. Especially the realization of legal certainty in the field of Investment.

The efforts with respect to that, has been initiated by the government of President Soekarno, with the issuance of Law no. 5 of 1960 on the Basic Agrarian Law, in which it regulates the rights upon the land, in which besides the customary property rights (eigendom) this also regulates among others concerning the Right of Use of Structures / Hak Guna Bangunan (HGB), Right of Cultivation / Hak Guna Usaha (HGU) and Rights of Use / Hak Pakai (HP), which all of these rules relate to the implementation of investment programs launched by the government. For example: Right of Use of Structures (HGB) arranged in Article (35) may be given for a period of 30 years, and may be extended to a maximum of 20 years. Total duration of 50 years. Right of Cultivation / Hak Guna Usaha (HGU) is provided for in Article (29) granted to investors for a period of 25 years and may be extended for a period of 25 years. total duration of 50 years. The period of validity of the Rights of Use / Hak Pakai (HP) regulated in Article (41) is 25 years and can be extended to a maximum of 20 years. So the total use of Right of Use is 45 years.

Furthermore, to further encourage the creation of an increasing investment climate during the era of President Soeharto's rule has been issued Law No. 1 of 1967 concerning Foreign Investment, which has been amended and supplemented by Law No. 11 of 1970 on Foreign Investment, and Law no. 6 of 1968 on Domestic Investment, which has been amended and supplemented by Law No. 12 of 1970 on Domestic Investment. With the issuance of the two Laws will certainly be able to encourage the improvement of investment climate in Indonesia. As we knew that, in President Soeharto’s era, economic growth of Indonesia it was stable regarding to the stability of social, politic and national defensive. At the time Indonesia State is becoming a most development country in Asia.

After the reformation era, and by taking into account a situation where oil and gas (MIGAS) is no longer a major source of state revenues, therefore the role of domestic and overseas capital owners is encouraged to invest their capital in Indonesia in any business activities, especially in the management of land affairs. Therefore, during the era of President Susilo Bambang Yudoyono’s government was issued Law No. 25 of 2007 concerning Capital Investment. Which in Article 22 paragraph (1) has stipulated the term of use of land rights. Land rights that can be used by investors, such as Right of Use of Structures / Hak Guna Bangunan (HGB), Right of Cultivation / Hak Guna Usaha (HGU) and Rights of Use / Hak Pakai (HP). Right of Cultivation / Hak Guna Usaha (HGU) may be granted with a total of 95 years, by way of being granted and renewed in advance for 60 years and renewable for 35 years. Right of Use of Structures / Hak Guna Bangunan (HGB) can be granted for 80 years, by way that can be granted and extended in advance for 50 years and renewable for 30 years. Rights of Use / Hak Pakai (HP) may be granted for a total of 70 years, in a way that can be granted and extended in advance for 45 years and renewable for 25 years. This, of course, has put aside the provisions on land rights as regulated in Law no. 5 of 1960 on the BAL.  

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4 *Lex Posterio derogat Lex Priore.* (The new determination neglects the previous determination).
As a result of deregulation regarding land rights related to the implementation of investment program in Indonesia, especially in direct investment program can be seen from the data as follows: 

The Comparison of Direct Investment Quarter I and II, Year of 2016-2017

<table>
<thead>
<tr>
<th></th>
<th>QI 2016</th>
<th>QII 2016</th>
<th>Jan-June 2016</th>
<th>QI 2017</th>
<th>QII 2017</th>
<th>Jan-June 2017</th>
<th>Target 2017</th>
<th>Achievements</th>
</tr>
</thead>
<tbody>
<tr>
<td>TOTAL</td>
<td>146,5</td>
<td>151,6</td>
<td>298,1</td>
<td>165,8</td>
<td>170,9</td>
<td>336,7</td>
<td>678,8</td>
<td>49,6%</td>
</tr>
<tr>
<td>FDI</td>
<td>96,1</td>
<td>99,4</td>
<td>195,5</td>
<td>97,0</td>
<td>109,9</td>
<td>206,9</td>
<td>429,0</td>
<td>48,2%</td>
</tr>
<tr>
<td>DDI</td>
<td>50,4</td>
<td>52,2</td>
<td>102,6</td>
<td>68,8</td>
<td>61,0</td>
<td>129,8</td>
<td>249,8</td>
<td>52,0%</td>
</tr>
</tbody>
</table>

Data base on IDR Trillion

The above data indicating that, progress of investment program which determining by the government is not going well (late way). Still need the effort to support by the several innovations. The others one of importance innovation is to guarantee the created certainty of law, especially in the land rights field.

B. Literature Review

The concept of the rule of law is essentially rooted in the concept of the theory of rule of law which in principle states that the supreme authority within a state is law, therefore all the equipment of any country of its name including citizens must submit and obey and uphold the law without exception. In this case it is corroborated by Krabe's opinion that "the State and as the creator and the enforcer of the law in all its activities shall be subject to the applicable law. In this meaning the law is in charge of the state. Based on the notion that the law is derived from the legal consciousness of the people, therefore the law has an influence that is not related to someone (impersonal)".

The concept of the welfare state (welfare state) is the concept of a modern rule of law (material) which is the development of the concept of a rule of law (formal), in which the concept of the material rule of law is the function of the state in addition to maintaining and implementing the law as much as possible, able to improve the welfare of its citizens. This argument, making the state not only acts like a night watchman, but the most important and main act in acting as public servants.

The principle of welfare in Islamic nomocracy is aimed at realizing social justice and economic justice for all members of society or the people. That duty is assigned to state organizers and society. The notion of justice in the nomocracy of Islam is not merely the fulfillment of material or material needs, but also includes the fulfillment of the spiritual needs of the people. The state is obliged to pay attention to the

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7 Ibid, B. Hestu Cipta Handoyo, Page 17
8 Ibid, B. Hestu Cipta Handoyo, Page 18
two kinds of needs and to provide social security for them who are poor or underprivileged.\footnote{Muhammad Tahir Azhary. \textit{Rule of Law (A Study of its principles. Analized from the Islam Law side, Its implementation in the Madinah and Current Era States).} Kencana Prenada Media Group. Jakarta 2007. Page 150}

David Hume with the happiness theory states that the law is necessary to encourage the preference for justice. That is justice that rests on the guarantee of reasonable ownership. Meaning: (i) Ownership of goods should not be excessive; (ii) Such ownership shall be obtained lawfully, and (iii) The transfer shall be by agreement. The last element is keeping promises. This is the moral law of nature of Hume's version.\footnote{Lihat dalam Bernard L. Tanya, Yoan N. Simanjuntak and Markus Y. Hage. \textit{Theory of Law (Strategy of Human Order Cross Space and Generation).} Genta Publishing Yogyakarta, 2010. Page 88} This theory can also be attributed to the utility theory of Jeremy Bentham which states that good law is a law that can give benefit to as many people as possible.\footnote{Ibid, Bernard L. Tanya. et.al Page 90}

The investment law comes from the English translation of "Investment of Law". Ida Bagus Wijaya Putra. Et.Al mentions that the investment law is: "The legal norms concerning the possibility of to be carried out an investment, the terms of investment, protection and most important thing that lead the investment in order to be able to bring prosperity to the people".\footnote{Salim HS, Budi Sutrisno, \textit{Investment Law in Indonesia}. Raja Grafindo Persada Jakarta 2007. Page 9} Another opinion states that investment law is "The whole legal norms governing the relationship between investors and the recipients of capital, the fields of business open to investment, and governing the procedures and conditions in carrying out investment in a country".\footnote{Ibid. Page 9}

In another meaning of investment can also be interpreted as: "An expenditure to acquire property or other assets in order to produce revenue, the assets so acquired. The placing of capital or laying out of money in a way intended to secure income or profit from its employment".\footnote{Hanry Campbell Black, Refered to Rahmi Jened. \textit{Theory and Legal Policy on Direct Investment}, Kencana Prenada Media Group, Jakarta 2016. Hlm 29} Indirect investment is: A way of investing real estate without actually investing in the property indirect investment can be done in many ways, including securities, funds or private property”.\footnote{Ibid. Page 29} And the meaning of direct investment by referring to the definition of the International Monetary Fund (IMF) is: "As investment that is made to acquire a lasting interest in an enterprise operating in an economy other than that of the investor, the investor’s purpose being to have an effective voice in the management in the enterprise. In practice, this translates so an equity holding of 10 percent or more in the foreign firm…an investment made by a company or entity based in one country into a company or entity based in another country. Direct investment differs substantially in direct investment such as portfolio flows where in overseas institution invest in equity listed on stock exchange".\footnote{Ibid. Page 30}

The business entrepreneurs in the field of investment is generally carried out by a company, which is an economic terminology known in the Code of Commercial Law / Kitab Undang-undang Hukum Dagang (KUHD) and other regulations out of the Code of Commercial Law / Kitab Undang-undang Hukum Dagang (KUHD). However, explicitly, what is meant of the company is not found in the Code of Commercial Law / Kitab
Undang-undang Hukum Dagang (KUHD) itself. However, the Minister of Justice of the Netherlands (Minister van Justitie Nederland) in the memory of responding to Parliament, interpreted the meaning of the company as follows: "It can only be said that the company, if the parties act uninterruptedly, openly and in a certain position to earn a profit for itself." 17

C. Methodology.

The research model used in this research is qualitative research, where the data used in supporting the validity of the research is weighted (quality) nature and not the numbers (quantity) nature. While the nature of the research is normative empirical. Normatif is meant that in this research use secondary data in which consist of primary law material that is norm of legislation related to the researched object, secondary law material that is doctrine or opinion of experts related to the researched object, and tertiary law material they are the refferences obtained from magazines, websites. While empirical is meant that in this research also use primary data that is data obtained directly from resource in this case experts in field of land law and expert in field of investment. The instrument used is in the form of interview based on several indicators related to the researched object. All data obtained is subsequently analyzed that is by looking in depth by linking the relationship in vertical and horizontal with the problem become the object of research.

D. Results and Discussion.

1. Land Regulation Reform.

The Indonesian legal system is a legal system that is heavily influenced by the legal system of civil law that one of its characteristics is to adopt legal legism. Legal legislation is a legal system adhering to that law is identical with the law, outside the law there is no law. The mentioned law is a written law created by the legislature. The purpose of the importance of written law, in order to create legal certainty for the creation of public order. At the beginning of the independence period, begins with the enactment of all existing legislation of the period as a law of Dutch colonial legacy (the principle of concordance) until the new law is enacted. In relation to the provisions governing land rights which have so far been based on the provisions of Dutch law include: Burgerliyk Wetbook (BW) and other ordinances, over time and driven by the legal requirements that govern the land, in the end. Finally, the government's land reform program aims to create a system (legal unification) in the land sector, with the enactment of Law No. 5 of 1960 concerning the Basic Agrarian Law. Which specifically governs the certainty about land rights.

2. Investment Regulation Reform.

Based on interviews with Gustian Djuanda as a practitioner in the field of financial analysis and also an academician, whereas in connection with the business activities of the company, by being formulated of a good legal certainty, especially in the field of legal certainty of land, where the land is an asset (fixed asset) which become the basis for business development, especially current accounting standards that follow the

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International Financial Report Standard (IFRS), where the asset becomes the most important position, and a company that is considered qualified if its fixed assets (land and buildings) is greater than its current assets, therefore it facilitates it to get loans easily, go public, etc.\(^{18}\) Therefore, upon the legal requirements to guarantee the legal certainty for the investors, especially those concerning land rights, in 2007 the government has established the Law No. 25 of 2007 regarding Investment. In general, the law is intended to simplify the provisions governing investment. Initially the provisions of the law governing the investment were divided into two provisions on Domestic Investment (PMDN), namely Law No. 6 of 1968 in connection with Law No. 12 of 1970, and concerning the Foreign Investment (PMA), that is Law No. 1 of 1967 in connection with Law No. 11 of 1970 on Foreign Investment, as well as, in the Law No. 25 of 2007 has also specifically provided certainty in relation to the provisions on land rights that are specifically related to the implementation of investments. Such as, the determination of the time period of Right of Use of Structures / Hak Guna Bangunan (HGB), which was previously 50 years turns into 80 years, Right of Cultivation / Hak Guna Usaha (HGU) which was previously 50 years turns into 95 years, and Rights of Use / Hak Pakai (HP) which was previously 45 years turns into 70 years.

3. Opportunity on Development.

By having been amended of the legislation relating to land rights, and the impact of such time period changes have provided opportunities for domestic and foreign investors to invest in Indonesia in the form of opening and or being expanded of companies in various sectors of industry. By the increasing use of land rights has granted the investors an opportunity to plan (forecasts) more maturely, consequently by careful planning, it will certainly get the maximum profit for the companies.

The opening of new companies as well as the expansion of the existing companies, has a very broad influence (multi player effect) to the economic sectors. For example: the creation of new job opportunities that are expected to reduce unemployment, the creation of new jobs for supporting business activities of small and medium enterprises (SMEs), the creation of new jobs for business activities i.e. services and licensing companies. In addition it will be built business activities in the field of community housing and public transportation. These economic activities will certainly increase the per capita income of the community, which will ultimately affect the stability of Indonesia's economic growth that has been asserted by the Government. For example in this case can be seen from the stability of Indonesia's national economic growth as follows: 2014: 5.0%. 2015: 4.9%. 2016: 5.0% and 2017: 5.2%\(^{19}\). meanwhile, the expected target from government President Joko Widodo. economic growth Indonesia reach until 7.0%.

4. Threat on Implementation.

Implementation of domestic and foreign investments, by having been granted the space to invest, by having been renewed the provision that regulates the duration of the use of Right of Use of Structures / Hak Guna Bangunan (HGB), Right of Cultivation / Hak Guna Usaha (HGU) or Rights of Use / Hak Pakai (HP) which will provide legal certainty to the investors to better promote investment programs in Indonesia, does not

\(^{18}\) Interview with Gustian Djuanda on October 13, 2017.

\(^{19}\) [https://en.m.wikipedia.org](https://en.m.wikipedia.org) (18/10/2017).
mean that there are no obstacles in the implementation of investing, especially related to the problem of supervision on how the effectiveness of the implementation of the mentioned investment program. This becomes very important because the change in provisions was originally intended to encourage the increasing of investment in Indonesia, otherwise it would be counterproductive. Because the role of oversight of the implementation of the government becomes very important.

In an interview with Bambang Wiyono as practitioners and academics in the forestry field who often come into contact with the rights of land owned by community, conveyed that: from the juridical side there is no problem with regard to the amendments in legislation governing the time period of Right of Cultivation / Hak Guna Usaha (HGU), Right of Use of Structures / Hak Guna Bangunan (HGB), Rights of Use / Hak Pakai (HP) as which has been regulated in Law no. 5 of 1960 concerning the BAL, with Law no. 25 of 1967 concerning Capital Investment, this is based on the legal principle of "Lex posterior derogar Lex priore". It has indeed provided legal certainty as well as business certainty to the investors, because in managing and implementing these rights, can be made a good plan. However, judging from the empirical side, the alteration of time period can cause problems related to the implementation of Right of Use of Structures / Hak Guna Bangunan (HGB), Right of Cultivation / Hak Guna Usaha (HGU) and Rights of Use / Hak Pakai (HP) is not running properly. Because in practice there are many investors who abandon the use of those rights". This often happens in investment practices that are not working properly.

In addition to the implementation of investment in Indonesia, besides the juridical matters there are also obstacles with political nature, for example: in the issue of regional autonomy, overlapping provisions governing the authority between the central government and local governments, in the economic problem has not created equilibrium balance the economy between the central and the regional governments and or between region and region governments, in social problems the level of poverty and inequality has a great distance, and in the case of political problems the establishment of a liberal democratic system creates a polarized society with various interests. All of them in their practice are very influential on the implementation of investment programs that have been launched by the government.

E. Conclusion.

From the above description can be concluded that:
1. Whereas the domestic and foreign investment as the main support of the state economy, although there are several things that obstruct the smooth implementation of investment in Indonesia, but in general the investment program has been successful and able to encourage the achievement of good and stable economic growth.
2. Whereas the law renewal in the field of land especially on the provisions governing among others concerning the term of Right of Cultivation / Hak Guna Usaha (HGU), Right of Use of Structures / Hak Guna Bangunan (HGB), and Rights of Use / Hak Pakai (HP), has provided certainty and opportunity in investment development, in order that the investors can conduct their business activities safely and can plan their investments well.

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20 Interview with Bambang Wiyono on October 13, 2017.
3. Whereas the obstacles that occur in the implementation of the investment program in Indonesia, the government should as soon as identify the problems and immediately seek the best solution, in order that the implementation of investment targets launched by the government can run well.
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   The Rule No. 12 of 1970 Subject to Change and Addition of the Rule No. 6 of 1968 Subject to Domestic Investment.
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