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# Danantara Establishment's Political Economy and Investor Confidence

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**Abstract:** Despite the legal protections established by Law Number 12 of 2022 (UU TPKS), female employees remain highly susceptible to various forms of workplace sexual harassment, severely compromising their psychological health and career progression. This study evaluates the integration of gender justice principles within the enforcement of sexual violence laws. Utilizing a normative-empirical methodology, the research synthesizes legal doctrine with practical field data through statutory and socio-legal approaches. Primary insights were gathered from interviews with Legal Aid Institutions (LBH) and advocacy groups, supplemented by a comprehensive review of primary and secondary legal sources. Through qualitative normative analysis, the study concludes that systemic power imbalances, entrenched patriarchal norms, and insufficient legal literacy continue to hinder the effective implementation of current protective frameworks. This study contributes a socio-legal framework that maps the gap between normative mandates in the TPKS Law and ground-level enforcement practices, offering concrete recommendations for institutional reform in workplace sexual harassment handling.

## 1. Introduction

Indonesia is entering a new era in the management of state wealth through the establishment of the Daya Anagata Nusantara Investment Management Agency (hereinafter referred to as Danantara). Danantara is a national investment institution expected to optimize state assets through more targeted investment schemes supported by a robust legal framework. The establishment of Danantara is based on amendments to the Law on State-Owned Enterprises, as stipulated in Law Number 1 of 2025 concerning the Third Amendment to Law Number 19 of 2003 on State-Owned Enterprises (hereinafter referred to as the SOE Law), as well as Government Regulation Number 10 of 2025 as the implementing regulation, which also governs the organizational structure and governance of Danantara (hereinafter referred to as the Danantara Regulation).

Danantara is established with specific vision and mission objectives, as follows:[1] Vision: As a leading investment manager, Danantara leverages the potential of state-owned enterprises (SOEs)

[1] Catur Diah Ayu et al., "Keterkaitan Danantara Dengan Stabilitas Keuangan Makro Di Indonesia: Sebuah Pendekatan Teori Ekonomi Makro," *Indonesian Research Journal of Education* 5, no. 1 (2025): 148, https://doi.org/10.31004/irje.v5i1.1232

as a pillar for capital allocation. Its objective is to accelerate economic transformation by establishing an internationally standardized sovereign wealth fund committed to fostering Indonesia's economic growth and improving the standard of living of all citizens through job creation. Mision: 1) To manage state wealth in a professional, transparent, and sustainable manner in accordance with the principles of good governance, in order to promote public welfare, as mandated by Article 33 paragraph (3) of the 1945 Constitution and the Asta Cita mission; 2) To optimize and manage SOE assets to generate significant economic value added. 3) To act as a catalyst for national economic growth through strategic investments in priority sectors that enhance global competitiveness; 4) To attract and accelerate both domestic and international investment by establishing strategic partnerships in support of inclusive and sustainable national development; To build an independent and high-performing sovereign wealth fund institution, supported by sound financial governance and oriented toward long-term sustainability.

The establishment of Danantara has attracted significant public attention, as it emerged at a time when the government was facing various policy issues that have generated both support and controversy within society, despite its intended objective of improving the performance and governance of state assets. Economist Eddy Junarsin of Gadjah Mada University argues that the creation of Danantara may also potentially reduce the performance of state-owned enterprises (SOEs). This is attributed to the introduction of a holding company structure, which may add an additional hierarchical layer and consequently lengthen bureaucratic processes. The expansion of managerial layers poses a risk of diminishing the operational flexibility and creativity of individual SOEs. In addition to bureaucratic concerns, Danantara also faces various challenges and risks in managing investments, one of which is the potential for political interference or intervention.

Political stability and economic growth stability are closely interrelated and cannot be separated. When a political policy gives rise to legal uncertainty or disputes, economic stability and investor confidence may be undermined. As also noted by Muhammad Zaenuddin, "Investment plays an important role in economic growth, viewed from both development theory and policy perspectives."[2] The relationship between politics, economic growth, and investment has likewise been emphasized by the former Vice President of Indonesia in 2022, who stated that economic and political stability are key to sustaining investment, as even highly attractive investments in economic terms may be disregarded by investors in the absence of such stability. Based on these perspectives regarding the interconnection between political stability, economic conditions, and investor confidence, the implementation of Danantara must prioritize sound institutional governance and carefully consider the implications of every policy it adopts.

This is further supported by a statement from Bhima Yudhistira, Executive Director of the Center of Economic and Law Studies (Celios), who emphasized the importance of sound governance in managing Danantara as a super investment vehicle to attract international investment partnerships. Furthermore, Bhima argues that the composition of Danantara's board of directors or board of commissioners should predominantly consist of professionals rather than individuals directly appointed by the government. The objective is to avoid potential conflicts of interest and political intervention within the leadership structure. If Danantara lacks strong institutional inde-

[2] Muhammad Zaenuddin, "Analisis Faktor-Faktor Yang Mempengaruhi Investasi PMA Di Batam," *JEJAK: Jurnal Ekonomi dan Kebijakan* 2, no. 2 (September 2009): 156–166, https://doi.org/10.15294/jejak.v2i2.1468.

pendence mechanisms, its strategic decisions risk being influenced more by short-term political interests than by long-term economic considerations. This could hinder the achievement of Danantara's primary objective of strengthening the national economy. Another concern that has emerged is the potential occurrence of corruption, collusion, and nepotism within Danantara's institutional structure.[3] This situation may arise if officials within the institution prioritize personal, familial, or group interests, in which case Danantara would merely become a vehicle for enriching a select few rather than an instrument for enhancing public welfare.[4]

Several previous studies serve as references for this research. The first is a study entitled "Analysis of Capital Market Reactions Before and After the Establishment of Danantara: A Study of State-Owned Enterprises Listed in the Kompas100 Index on the Indonesia Stock Exchange," written by Eka Yuliani. This study aims to analyze and examine capital market reactions to the establishment of Danantara as a Sovereign Wealth Fund (SWF) using an event study approach. An event study is an empirical financial research method used to measure the impact of a particular event on a company's stock price movements. In this method, market reactions are generally analyzed through indicators such as abnormal returns and trading volume activity, which reflect investors' responses to newly available information. The findings indicate that there are significant differences and effects on stock returns and abnormal returns before and after the establishment of Danantara. In contrast, trading volume activity does not show any significant difference or effect between the periods before and after the event.

This study shares similarities with the author's research in examining the impact of the establishment of Danantara on investor responses. The difference lies in the approach and indicators employed. This study utilizes an event study approach to measure abnormal returns and trading volume activity. In contrast, the author's research adopts a socio-legal approach that emphasizes aspects of legal politics, governance, and the factors influencing investor confidence. Second, a study entitled "The Existence of Legal Certainty for Foreign Investors in Danantara as a Form of Investment Governance Reform," written by Hector Stanley Widiatno and Freddy Harris, is also referenced. This study aims to examine the existence of legal certainty for foreign investors through Danantara as part of the reform of national investment governance, using a normative legal method with statutory and conceptual-analytical approaches. The findings indicate that Danantara holds a legal position as a state investment management institution capable of facilitating various foreign investment schemes, such as foreign direct investment, co-investment funds, and public-private partnerships. Legal certainty is reflected in the presence of clear regulations, the application of the principle of freedom of contract, the principle of non-discrimination, and the establishment of an independent institutional framework.

Danantara is considered capable of strengthening legal certainty for foreign investors while also serving as a strategic instrument in reforming national investment governance. Nevertheless, the study recommends enhancing transparency and regulatory harmonization to ensure that the implementation of investment policies can operate more effectively. The similarity between this

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3 Solihin, Dadang, Antoni Ludfi Arifin, and Joko Nugroho. "Danantara: Pilar Ekonomi Atau Beban Negara?". JMBI UNSRAT (Jurnal Ilmiah Manajemen Bisnis Dan Inovasi Universitas Sam Ratulangi). 12 (1), (2025): 225-35. https://doi.org/10.35794/jmbi.v12i1.61256.

4 Muhammad Ali Murtadlo, "Kepercayaan Publik Di Ujung Tanduk: Danantara, Korupsi, Dan Ironi Reformasi," Kompas.com, 2025.

study and the author's research lies in the shared focus on Danantara as the object of analysis and the use of a normative approach. Both studies also emphasize governance, regulatory frameworks, and institutional aspects as important factors influencing investor perceptions and confidence.

The difference lies in the focus of analysis and the perspective employed. The study on legal certainty for foreign investors places greater emphasis on normative guarantees and legal constructions that provide protection and certainty for investors, positioning Danantara as an instrument that strengthens the investment system. In contrast, the author's research highlights the dimension of legal politics, the potential for political intervention, oversight mechanisms, and issues of transparency, all of which may, in fact, influence the level of investor confidence in Danantara.

Third, a study entitled "Event Study: The Reaction of the Indonesian Capital Market to the Announcement of Danantara in LQ-45 Index Companies," written by Hananto Seno and Widuri Kurniasari in the Proceedings of the National Seminar on Research and Community Service, is also referenced. This study analyzes the response of the Indonesian capital market, particularly stocks included in the LQ-45 index, to the official announcement of the National Investment Management Agency Danantara on February 24, 2025. The similarity between this study and the author's research lies in the shared object of analysis, namely Danantara in the context of investment and investor confidence. The difference is that this event study employs a quantitative approach using indicators such as Average Abnormal Return (AAR) and Trading Volume Activity (TVA) to measure short-term market responses to the announcement of Danantara. In contrast, the author's research adopts a normative approach, emphasizing the dimensions of legal politics, institutional governance, oversight mechanisms, and transparency that influence investor confidence from a long-term perspective.

Taken together, these studies constitute the current state of the art on Danantara in the Indonesian legal and economic literature. They mainly examine short term capital market reactions and the construction of legal certainty for investors using quantitative event study methods or normative legal analysis. However, they pay relatively less attention to the political economy dimension of Danantara's establishment, particularly how legal political bargaining, governance design, and oversight mechanisms shape investor confidence in the medium and long term. This research addresses that gap by adopting a socio legal perspective that links formal regulatory frameworks to the broader dynamics of legal politics, institutional independence, and transparency in state asset management.

The establishment of Danantara represents a strategic step by the government to enhance Indonesia's investment attractiveness. The level of investor confidence is a key factor in determining investment flows and the stability of national economic growth. From an economic perspective, this policy also raises questions regarding governance, transparency, and the potential for political intervention that may influence investor confidence. It is therefore important to understand the political economy dimensions underlying the establishment of Danantara, as these factors shape the perceptions and confidence of both domestic and foreign investors.

The novelty of this article lies in its political economy analysis of Danantara that moves beyond short term market reactions and formal legal constructs. By combining a socio legal approach with the analytical framework of investor behavior, the study examines how legal political bargaining, institutional design, and ambiguities in oversight and accountability affect investor confidence. This perspective offers a more comprehensive understanding of Danantara not only as a legal institution or sovereign wealth fund, but also as a fiscal and governance instrument whose long term legitimacy depends on transparency, independence, and robust checks and balances.

## 2. Method

This study employs a socio-legal research approach. Socio-legal research refers to the study of law in relation to social phenomena, reflecting a multidisciplinary perspective. The objective of this research is to establish coherence, namely to examine whether legal rules are consistent with legal norms, whether norms in the form of commands or prohibitions align with legal principles, and whether individual actions conform to legal norms or principles. The object of socio-legal legal research encompasses real events or actions associated with social phenomena, with the aim of analyzing how law operates within society.[5] This study employs a conceptual approach, a statutory approach, and an ethnographic approach. The statutory approach involves examining and analyzing all legal provisions and regulations related to the legal issues under study, while the conceptual approach entails analyzing and deconstructing concepts associated with the legal issues being addressed. Furthermore, this study utilizes an ethnographic approach to understand how processes of legal politics give rise to legal policies in the form of legal products that align with societal needs and the sense of justice within the community.[6]

This study employs a socio legal research approach that examines law in its interaction with social and political realities. It combines a statutory approach, to analyze the relevant provisions of Law Number 1 of 2025 on State Owned Enterprises and Government Regulation Number 10 of 2025 on Danantara, with a conceptual approach that elaborates key notions such as sovereign wealth funds, investor confidence, and good governance. An ethnographic sensibility is used not in the strict anthropological sense, but as an interpretive lens to understand how legal political processes, public discourse, and policy narratives surrounding Danantara reflect broader power configurations and societal concerns. Primary legal materials include statutes, government regulations, and official policy documents, while secondary materials consist of academic literature, policy papers, and media reports on Danantara and comparable institutions such as Temasek and the Indonesia Investment Authority (INA). These materials are analyzed qualitatively by linking doctrinal interpretation with political economy insights in order to assess how Danantara's institutional design and oversight arrangements may influence investor confidence.

## 3. Results and Discussion

### 3.1 Fiscal Policy Related to the Establishment of Danantara

Fiscal policy is one of the government's key instruments for regulating the national economy, including in the management of state investment. One concrete manifestation of this policy is the establishment of Danantara as a state enterprise entity formed to manage state wealth through investment.[7] Danantara adopts a management model inspired by the concept of Temasek Holdings Limited of Singapore. Temasek Holdings Limited was established with the objective of commercially managing and holding investments and assets that were previously under government control. This arrangement allows the Ministry of Finance to focus more on its primary functions in

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5 Hari Sutra Disemadi, "Lenses of Legal Research: A Descriptive Essay on Legal Research Methodologies," *Journal of Judicial Review* 24, no. 2 (2022): 289, https://doi.org/10.37253/jjr.v24i2.7280.

6 Imam Syaukani and A. Ahsin Thohari, *Dasar-Dasar Politik Politik Hukum* (Jakarta: Rajawali Pers, 2013), 52.

7 Willa Wahyuni, "Mengenal Danantara Dan Dasar Hukumnya," Hukum Online, 2025, https://www.hukumonline.com/berita/a/mengenal-danantara-dan-dasar-hukumnya-lt67b5de78c441a/.

policy formulation and regulation, while investment management is fully delegated to Temasek.[8] A similar model is applied in the institutional structure of Danantara. Initially, it was designed to replace the role of the Ministry of State-Owned Enterprises (SOEs); however, in practice, the Ministry has been retained. Accordingly, the function of the Ministry of SOEs is refocused as a regulator, with authorities such as granting approvals and proposing agendas in the General Meeting of Shareholders (GMS).[9]

From the perspective of investor behavior, the ambiguity surrounding Danantara's oversight and audit mechanisms directly undermines two of the most important informational dimensions for rational investors, namely neutral information and accounting information. When investors cannot be certain that financial statements and performance reports are subject to independent scrutiny by external bodies such as the Supreme Audit Agency (BPK) or the Corruption Eradication Commission (KPK), the perceived risk associated with Danantara linked investments increases. In terms of utility theory and the classic wealth maximization framework, this higher perceived risk translates into a higher required rate of return or, in some cases, reluctance to allocate capital, thereby weakening investor confidence in the long run.

In addition, Danantara's institutional model shares similarities with the Indonesia Investment Authority (hereinafter referred to as INA). INA is responsible for managing and developing state investment funds, including export surpluses and other strategic assets, with the objective of increasing the value of state assets through investments across various sectors, both domestically and internationally, as well as through partnerships with domestic and international investors.[10] In contrast, Danantara is designed to manage assets and dividends from state-owned enterprises (SOEs) to finance strategic projects across various sectors, with the primary objective of optimizing government investment and supporting national economic growth. With the establishment of Danantara, dividends generated from SOEs will be directly managed and allocated for investment activities. The returns generated from these investments will subsequently be utilized as a source of funding for various government programs.[11] Danantara has managed a number of state-owned enterprises (SOEs), based on the list presented by the Ministry of State-Owned Enterprises during a closed meeting with Commission VI of the House of Representatives (DPR RI). These SOEs include Bank Mandiri, Bank Rakyat Indonesia (BRI), Bank Negara Indonesia (BNI), PT Pertamina (Persero), PT Telkom Indonesia Tbk, MIND ID, PT Industri Kereta Api (Persero), and others.[12] As an investment management agency, Danantara is granted authority under Law No. 1 of 2015, particularly Article 3F, to exercise several powers. These include managing dividends from the investment holding, operational holding, and SOEs; approving increases and/or reductions in capital participation in SOEs derived from dividend management; establishing investment and operational holding companies; approving proposals for write-offs and/or debt forgiveness of

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8 Nabiila Azzahra, "Mengenal Temasek Holdings, BUMN Singapura Yang Jadi Rujukan BP Investasi Danantara", Tempo, https://www.tempo.co/ekonomi/mengenal-temasek-holdings-bumn-singapura-yang-jadi-rujukan-bp-investasi-danantara-1161478.

9 Wahyuni, "Mengenal Danantara Dan Dasar Hukumnya."

10 Galuh Prabaningrum Ayu Sukarsa and Muhammad Heru Akhmadi, "Investasi Berkelanjutan: Peran INA (Indonesia Investment Authority) dalam Optimalisasi Kerangka ESG (Environment, Social and Governance)," *Jurnal E-Bis: Ekonomi-Bisnis* 8, no. 2 (2024): 494, https://doi.org/10.37339/e-bis.v8i2.1848.

11 Wahyuni, "Mengenal Danantara Dan Dasar Hukumnya."

12 Michelle Gabriela, "Cek Daftar Perusahaan BUMN Yang Masuk Danantara," *Tempo*, https://www.tempo.co/ekonomi/cek-daftar-perusahaan-bumn-yang-masuk-danantara-1225912. 2025.

SOE assets submitted by the investment or operational holding; providing and receiving loans, as well as pledging assets with presidential approval; and ratifying and consulting with the relevant commission of the House of Representatives (DPR RI) overseeing SOEs regarding the work plans and budgets of the investment and operational holding companies.

Danantara is authorized to undertake investments both directly and indirectly, including establishing partnerships with investment holding companies, operational holding companies, as well as other third parties.[13] All profits or losses arising from such investment activities are fully borne by Danantara.[14] If profits are generated, a portion will be remitted to the state treasury as state revenue after provisions have been made to cover potential losses and/or to increase capital accumulation.[15] Conversely, legal liability for any losses incurred cannot be attributed to the minister, the institution's organs, or Danantara's employees, provided that actions are carried out in good faith, with due care, without conflicts of interest, and without deriving unlawful personal benefit. Liability may only be imposed if such losses result from negligence or personal fault.[16]

In managing its investments, Danantara may also collaborate with third parties through management mandate schemes or other forms of cooperation to enhance asset value. The assets managed by Danantara are derived from various sources, including initial capital, asset development returns, transfers of state or SOE assets, grants, as well as other lawful sources. Such assets cannot be subject to seizure by any party unless they have been pledged as collateral.[17] With regard to oversight, Danantara operates under the supervision of the President and is also audited by the Supreme Audit Agency (hereinafter referred to as BPK) in matters of financial management. In addition, Danantara has a Supervisory Board tasked with overseeing the implementation of the institution's functions, including approving annual work plans and budgets, evaluating accountability reports, and approving annual financial statements with the President's approval.

## 3.2 The Implications of the Establishment of Danantara on Investor Confidence

Danantara, as a "superholding," functions to manage various strategic state assets derived from state-owned enterprises (SOEs).[18] However, these strategic state assets may be at risk of not being managed effectively and transparently due to several issues, one of which concerns the oversight mechanisms governing assets managed by Danantara. The regulatory framework stipulates that state assets transferred to Danantara become the property of the institution, thereby raising questions regarding oversight and accountability. Within Danantara's structure, supervision of institutional performance and governance is carried out by the Supervisory Board. Nevertheless, the effectiveness of this internal oversight depends on the independence and competence of the Supervisory Board members. Concerns persist regarding the potential weakness of these oversight mechanisms, and some stakeholders have proposed the need for additional supervision by

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13 Dewan Perwakilan Rakyat Republik Indonesia, "Perubahan Ketiga Atas Undang.Undang Nomor 19 Tahun 2003 Tentang Badan Usaha Milik Negara", Pub. L. No. 1 (2025), Article 3H ayat (1).

14 Ibid., Article 3H ayat (2).

15 Ibid., Article 3H ayat (3).

16 Ibid., Article 3Y.

17 Ibid., Article 3J ayat (2).

18 Priyono, Muhammad Yogi Septiyan, dan Ariawan Gunadi. "Implikasi Hukum Dan Politik Dalam Pembentukan Danantara Sebagai Badan Pengelola Investasi Nasional." *Jurnal Hukum Lex Generalis* 5 (10). (2025). https://doi.org/10.56370/jhlg.v5i10.1016.

independent institutions such as the Supreme Audit Agency (BPK) or the Corruption Eradication Commission (KPK) to ensure transparency and accountability in Danantara's asset management.[19]

As a consequence of these uncertainties, concerns arise regarding investor confidence in making investments in Indonesia. This is because, in making investment decisions, investors are assumed to act rationally.[20] Investment, in essence, refers to the allocation of a certain amount of funds at the present time with the expectation of generating returns in the future.[21] Investor confidence itself, according to Shleifer and Vishny, refers to the degree of confidence and conviction that investors have in the decisions they make.[22]

Before making investment decisions, investors require various forms of information that serve as essential factors in determining their investment choices. This information is then processed to form a decision-making model in the form of investment evaluation criteria, which assists investors in assessing and selecting the most profitable alternative among the available options. This concept can be explained through utility theory, which describes individuals' attitudes toward risk. In the context of investment, this theory illustrates how investors respond to and manage risk when allocating capital, with the primary objective of maximizing their wealth (economic factor). Based on the classification proposed by Nagy and Obenberger, the economic factor consists of several key components, namely neutral information, accounting information, self-image/firm-image coincidence, classic (often referred to as classic wealth), social relevance, advocate recommendation, and personal financial needs. Each of these components plays a role in influencing investors' decision-making processes.

The explanations of each factor are as follows:[23] Neutral information refers to information originating from external sources, including media coverage and analyses concerning financial conditions and economic circumstances related to investment activities. This type of information encompasses reports or analyses in financial media that generally discuss current situations and ongoing investment developments. In addition, neutral information also includes various other investment- and finance-related elements, such as general media coverage, stock price movements, analyses by financial analysts published in the media, as well as economic indicators such as inflation, interest rates, and other macroeconomic indicators. As highlighted by investor confidence is influenced by several elements, including transparency in information disclosure, corporate financial performance, political stability, and overall economic conditions.[24]

Accounting information refers to information related to a company's financial condition and performance, which serves as a basis for investors in evaluating an investment. This information includes various data contained in financial statements, annual reports, and prospectuses. In ad-

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19 Adinda, Dwiana, Alfah Salam, Ardian Ramadhan, Adam Narendra, Masykuri Anasti, and Jerry Yanto. "Politik Hukum Dalam Pembaharuan Hukum Pidana Di Indonesia". *Wathan: Jurnal Ilmu Sosial Dan Humaniora* 1 (1), (2024): 12-25. https://doi.org/10.71153/wathan.v1i1.16.

20 Hendershott, P.H. and Van Horne, J.C. "Expected Inflation Implied By Capital Market Rates." *The Journal of Finance*, 28, (1973): 301-314. https://doi.org/10.1111/j.1540-6261.1973.tb01773.x

21 Halim Abdul, *Analisis Investasi*, 2nd ed. (Jakarta: Salemba Empat, 2005).

22 Morck, Randall, Andrei Shleifer, and Robert Vishny. "The Stock Market and Investment: Is the Market a Sideshow?". *Brookings Papers on Economic Activity* 21, no. 2 (1990): 157-216. https://shleifer.scholars.harvard.edu/publications/stock-market-and-investment-market-sideshow.

23 Robert A. Nagy and Robert W. Obenberger, "Factors Influencing Individual Investor Behavior," *Financial Analysts Journal* 50, no. 4 (1994): 65–67, https://www.jstor.org/stable/4479763.

24 Munawir Nazir et al., "Analysis of Economic Development Based on Environment Resources in the Mining Sector," *Journal of Asian Finance, Economics and Business* 7, no. 6 (2020): 133, https://doi.org/10.13106/jafeb.2020.vol7.no6.133.

dition, accounting information also encompasses the results of various stock valuation techniques. Other elements within this category include expected corporate earnings, the company's history and development, as well as its overall condition as reflected in its financial statements. Based on the findings of Nagy and Obenberger, variables such as expected earnings and the condition of the firm's financial statements are regarded as highly important by investors. This indicates that the majority of investors continue to rely on traditional valuation considerations as the primary basis for making investment decisions. Self-image/firm-image coincidence refers to the alignment between an investor's self-image and the image of the company in which they invest. Variables that exert significant influence within this factor include firm reputation, firm status, investors' feelings or evaluations of the company's products and services, and perceptions of the firm's ethics.

These variables essentially represent value statements that are subjectively formed by individuals regarding a company. Nearly all variables within this factor are considered fairly important by investors in their investment decision-making, with the exception of the firm's ethical aspect. This suggests that many investors do not rely solely on quantitative analysis, but also take qualitative aspects into account when selecting stocks. This condition poses a particular challenge for the investment community, which has traditionally been more accustomed to employing quantitative analytical approaches in assessing and communicating the relative value of securities in the capital market.

The classic factor refers to investment criteria rooted in traditional economic theory. Variables included in this factor encompass expected dividends, the affordability of share prices, tax consequences, and efforts to minimize risk. These variables are commonly referred to as "classical" investment criteria, as they are extensively discussed in textbooks and financial theories as fundamental bases for investors to achieve wealth maximization. However, the findings indicate that, in practice, investors do not regard these variables as the most important, despite their central role in many theoretical frameworks of investor behavior. Investors' evaluations of these variables tend to fall within a moderate range. This suggests that, in making investment decisions, investors do not rely solely on classical economic considerations, but also take into account other variables beyond these criteria.; 5. Social relevance is a factor associated with a company's social aspects, such as its environmental track record, its presence in the vicinity of the investor's residence, and its operational activities at the international level. Only a small proportion of investors (less than 5%) consider this factor to have a significant influence on their investment decisions.

Advocate-recommendation this relates to recommendations from external parties, such as brokerage firms, individual stockbrokers, as well as advice from friends or colleagues. These sources of information may be perceived as having particular interests in influencing investors' decisions. Therefore, many investors remain cautious toward such recommendations, even though they frequently rely on professional expertise. Personal-financial-need, this is related to the personal financial needs of investors, such as competing financial obligations, the time horizon before invested funds are required again, and the need for diversification. Among these three aspects, diversification is considered one of the most important factors for investors, while the others are perceived to have a relatively smaller influence. This indicates that some investors view investment funds and consumption expenditures as two separate matters.

With regard to The Neutral Information and Accounting Information factors, the ambiguity in the regulatory framework governing oversight mechanisms for state assets managed by this institution indicates that these factors have not been optimally fulfilled. This condition is closely related to the level of trust in the resulting financial reports, which are perceived as potentially lacking transparency and reliability. Danantara's assets, which fall under the institution's management, are supervised by a Supervisory Board that performs internal oversight functions. However, the effectiveness of such internal supervision is highly dependent on the degree of independence and competence of the Supervisory Board members. Furthermore, concerns have been raised by various stakeholders that, due to its positioning within the framework of the State-Owned Enterprises (SOE) Law, Danantara may not be subject to direct audit by the Supreme Audit Agency (BPK) or oversight by the Corruption Eradication Commission (KPK). This situation raises apprehension regarding the potential for corrupt practices. If Danantara's management is not conducted in a professional manner, there is a risk of suboptimal investment decision-making. Consequently, this may lead to losses for investors and may even trigger capital outflows from the Indonesian capital market. The absence of a robust system of checks and balances ultimately undermines investor confidence in making investment decisions.

Berikut satu bagian tambahan (sekitar satu halaman A4 bila diformat sesuai template JCH) yang bisa langsung Anda masukkan ke dalam subbab *Results and Discussion*, idealnya setelah pembahasan mengenai perbandingan Temasek/INA dan sebelum bagian penutup mengenai rekomendasi kebijakan. Paragraf paragraf ini memperdalam analisis hubungan desain kelembagaan Danantara, governance, dan kepercayaan investor dengan kerangka teori *investor behavior* dan *political economy*.

From a political economy perspective, Danantara occupies a highly strategic position at the intersection of fiscal policy, state owned enterprise (SOE) restructuring, and capital market development. As a sovereign wealth fund type institution operating as a super holding company for key SOEs, Danantara is not merely a technical investment vehicle but also a manifestation of broader legal political choices regarding how state assets are centralised, managed, and supervised. These choices inevitably influence how domestic and foreign investors perceive the credibility, predictability, and long term stability of Indonesia's economic governance. In this sense, Danantara's institutional design and governance architecture must be evaluated not only against formal legal standards, but also in terms of its susceptibility to political intervention and its capacity to generate consistent, high quality information for investors.

Investor behaviour literature suggests that investment decisions are shaped by a combination of informational, psychological, and structural factors, rather than by pure rationality alone. Nagy and Obenberger identify several key factors influencing individual investors' decisions, including neutral information, accounting information, self image/firm image coincidence, classic economic indicators, social relevance, advocate recommendations, and personal financial needs. Among these, neutral information impartial, timely, and credible information about policy and market developments and accounting information accurate, audited, and transparent financial statements play a decisive role in forming rational expectations about risk and return. When applied to Danantara, this framework implies that any ambiguity regarding who audits Danantara's financial statements, how its investment guidelines are formulated, and whether its performance data are independently verified will directly affect investors' perceived risk and their willingness to allocate capital through or alongside Danantara.

At the same time, Danantara's establishment has been accompanied by public debate and scepticism, particularly concerning transparency, accountability, and potential conflicts of interest in its governance structure. Commentators have questioned whether Danantara will function as a genuine engine of development or instead become vulnerable to political manipulation and rent seeking, especially if the composition of its board and supervisory bodies is dominated by politically connected appointees rather than independent professionals. These concerns are heightened by the centralisation of high value SOE assets under a single investment agency, which increases the systemic impact of any governance failure or corruption case on both fiscal stability and investor sentiment. In a context where perceptions of corruption, collusion, and nepotism still affect trust in public institutions, the political economy risks associated with Danantara's governance cannot be dismissed as purely hypothetical.

From the viewpoint of utility theory and classic finance, heightened perceptions of political and governance risk translate into a higher required rate of return or, in extreme cases, a refusal to invest altogether. Investors will demand a risk premium to compensate for uncertainties regarding the reliability of financial data, the predictability of policy, and the integrity of decision making processes within Danantara. This means that even if Danantara is legally designed to optimise state assets and attract long term capital, weaknesses in its governance architecture such as unclear audit mandates, limited external oversight, or opaque appointment procedures can neutralise or even reverse its intended confidence building effects. In practical terms, an investment vehicle that is perceived as politically captured or insufficiently transparent may deter the very institutional investors sovereign wealth funds, pension funds, and long term asset managers that Indonesia seeks to attract.

Comparative experience shows that successful sovereign wealth funds tend to combine strong legal mandates with robust institutional safeguards, including independent boards, clear audit frameworks, and adherence to international best practices such as the Santiago Principles. For example, the Indonesia Investment Authority (INA) explicitly positions itself as an independently managed fund whose board consists of professional investment managers and whose operations are subject to transparent governance standards. Similarly, Temasek in Singapore has cultivated a reputation for professional management, clear disclosure of portfolio performance, and an arm's length relationship with day to day political decision making, which collectively underpin investor trust. By contrast, the absence of clearly codified safeguards for Danantara—such as explicit provisions on external audits, publication of consolidated financial statements, and protections against undue political influence in key appointments—creates a governance gap that can undermine efforts to emulate these successful models.

Seen through this lens, strengthening Danantara's governance is not merely a matter of formal legal compliance, but a strategic requirement for aligning the institution with the behavioural logic of investors and the broader demands of political economy stability. Clarifying the hierarchy and division of oversight between the President, Parliament, the Supreme Audit Agency, and internal supervisory boards; codifying mandatory external audits and public disclosure obligations; and insulating top management appointments from short term political cycles are all measures that can simultaneously enhance neutral information, improve the quality of accounting information, and reduce perceptions of political risk. In doing so, such reforms would not only strengthen Danantara's internal integrity but also send a credible signal to markets that Indonesia is committed to managing state assets in accordance with international standards of good governance and investor protection.

## 4. Conclusion

This study examines the implications of establishing the Danantara Investment Management Agency on investor confidence, with the objective of analyzing how legal-political dynamics, institutional governance, and oversight mechanisms in the management of state assets influence the level of investor trust in Indonesia's investment climate. The findings indicate that Danantara is designed as a fiscal policy instrument to optimize the management of dividends and state-owned enterprise (SOE) assets in order to support strategic investment and national economic growth. However, the study also identifies several governance-related issues, particularly concerning the clarity of oversight mechanisms, institutional independence, as well as the transparency and accountability of financial reporting, all of which may affect investors' risk perceptions. In conclusion, the effectiveness of Danantara in enhancing investment and strengthening the national economy is highly dependent on the implementation of good governance principles, transparency, and effective and independent oversight mechanisms. Therefore, this study recommends strengthening external oversight systems by independent institutions, enhancing transparency in asset management and financial reporting, and providing clearer regulatory frameworks regarding Danantara's institutional independence in order to ensure legal certainty and improve investor confidence in the national investment system.

Beyond its immediate policy relevance, the analysis in this article contributes to the broader discourse on the political economy of state investment management in Indonesia. It shows that sovereign wealth fund type institutions such as Danantara cannot be evaluated solely on the basis of their legal establishment or formal investment mandate, but must also be assessed in terms of their institutional independence, transparency, and susceptibility to political capture. Future research could expand this discussion by incorporating quantitative assessments of market reactions over longer time horizons, or by conducting comparative studies with other jurisdictions that have successfully combined strong state investment vehicles with robust checks and balances.

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