

## Challenges and Opportunities: Investment Potential for Indonesia's Local Investors as an Impact of the Development of the National Capital City (IKN) of the Archipelago

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### ABSTRAK

This research aims to recognize the challenges and opportunities for local Indonesia investors towards investment potential as an impact of the development of the National Capital City (IKN) of the archipelago. This research is a type of qualitative research, with a normative juridical research approach. Data collection is carried out by the literature study method, which will then be presented in the form of a narrative description. The development of IKN Nusantara is one of the most historic moments in Indonesia, from the original location of the capital city of Indonesia to be placed in the Special Capital Region Province of Jakarta, then moved to East Kalimantan Province. The development of the Nusantara IKN has an impact on investor opportunities in various sectors, one of which is related to renewable energy. However, this investment opportunity should not only be an opportunity for foreign investors, but must also be sought how local Indonesian investors also contribute. Although there are challenges, such as global geopolitical risks, there are a number of great opportunities that can be taken advantage of, including the huge market potential for local investors in Indonesia.

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## **INTRODUCTION**

The development of the National Capital City (IKN) of the archipelago has become one of the most historic moments in Indonesia, from the original location of the capital city of Indonesia to be placed in the Special Capital Region Province of Jakarta, then moved to East Kalimantan Province (Toana et al., 2023). The development of the National Capital City (IKN) of the archipelago in East Kalimantan is a national strategic project that aims to overcome development inequality between western and eastern Indonesia (Wicaksono et al., 2023). The Government of Indonesia sees the development of IKN Nusantara as a long-term effort in creating a more integrated and efficient government center, reducing the burden on Jakarta, and providing a wide economic impact on the surrounding areas (Aldomoro, 2023).

Along with planning the development of IKN Nusantara, the government has launched various incentive schemes and policies to attract investment both from within and outside the country (Sofia, 2024). However, the investment potential for local investors in Indonesia requires further study, considering the differences in financial capabilities, access to information, and technological readiness compared to foreign investors. This condition encourages the need for the right strategy so that local investors are not left behind in taking advantage of existing opportunities.

One of the factors that needs to be considered is the readiness of infrastructure in the East Kalimantan region. The development of basic infrastructure such as roads, ports, and airports is urgently needed to support the smooth flow of investment. For local investors, adequate infrastructure will provide certainty and facilitate access to new markets resulting from the development of the IKN (Setpres, 2024). However, infrastructure limitations that are still an issue in some regions can be a challenge that requires more attention from the government and stakeholders.

In addition to infrastructure, regulation and licensing are also important aspects in determining the extent to which local investment can grow. The central and regional governments are expected to be able to create supportive, efficient, and transparent regulations to reduce bureaucratic risks that are often an obstacle for local investors (Koeswara, 2023). The existence of tax incentive policies and ease of licensing offered in the development of the IKN can provide more attraction for local investors, but the implementation of these policies also needs to be monitored so that they do not only benefit foreign investors.

It is also important to understand that social and environmental aspects will also affect local investment. Large-scale development such as IKN Nusantara has the potential to cause social impacts such as population displacement and changes in local economic patterns. Local investors need to understand these impacts and integrate them into their investment strategies, especially as it relates to corporate social responsibility (CSR) and environmental sustainability.

In the midst of the opportunities offered, competition with foreign investors is certainly inevitable. Foreign investors usually have larger capital,

more advanced technology, and wider access to global markets. However, local investors have an advantage in terms of a deep understanding of domestic market conditions and local culture, which can be leveraged to overcome these challenges. In this context, collaboration between local and foreign investors can be a solution to complement each other.

The ability of local investors to adapt to new trends and technologies will also greatly determine the extent to which they can take advantage of the opportunities that exist. The digital transformation that occurs in line with the development of the IKN opens up new opportunities in the technology and innovation sector, where local investors need to be ready to compete in the era of the industrial revolution 4.0.

One of the main gaps in this study is the lack of in-depth studies related to the readiness of local investors in taking advantage of the investment opportunities offered by the development of the Nusantara IKN. Many previous studies have focused more on infrastructure aspects and macroeconomic impacts, but few have addressed the readiness, challenges, and barriers faced by local investors in accessing these opportunities. In addition, the lack of comprehensive empirical data on the direct impact of IKN development on certain sectors in Indonesia is also a gap that needs to be filled by further research.

In addition, this study also highlights the lack of studies that explore policy strategies that can support the active participation of local investors in IKN projects. There is still little research that addresses how fiscal policies, regulations, and government support can be optimized to improve the competitiveness of local investors compared to foreign investors. Therefore, there is an urgent need for more specific and focused research on policy strategies and support mechanisms that can encourage greater involvement of local investors in the development of the Nusantara IKN.

This study aims to examine the challenges and opportunities that arise as a result of the development, especially in the context of local investment. With the acceleration of development expected to absorb massive investment, local Indonesia investors are faced with great opportunities as well as challenges that cannot be ignored.

The study will also identify which sectors have the best prospects for local investors to manage, based on an analysis of the economic potential in East Kalimantan as well as supportive policies. As such, local investors are expected to be able to formulate more targeted strategies, understand the risks they may face, and strengthen their position in an increasingly competitive market. Through this study, it is hoped that relevant policy recommendations and business strategies can be produced that can support the participation of local investors in major projects that will have a significant impact on Indonesia's economy in the future.

## **LITERATURE REVIEW**

### ***Definition of Investment***

Investment in general is defined as an activity of investing capital, either directly or indirectly, with the aim of reaping a number of profits from the investment in the future (Koeswara, 2023). Ramadhani and his colleagues mentioned that investment is often referred to as investment, so for investors or investors, this investment is referred to as expenditure or expenditure to buy capital goods or equipment to increase the ability to produce goods or services (Putri Ramadhani et al., 2022).

In line with this understanding, Hidayati also stated regarding the definition of investment, that investment is an activity of placing funds in one or more types of assets during a certain period with the expectation of being able to earn income and/or increase the value of investment in the future (Hidayati, 2017). From this understanding, according to him, the concept of investment can be identified as follows:

1. Activities of placing funds in the present;
2. Certain time periods;
3. The goal is to get benefits (repayment of services or profits) in the future, so that the funds should be consumed (used) because the investment of the funds is diverted to be invested for future profits (Hidayati, 2017).

In connection with the definition put forward by Ramadhani and his friends, investment referred to as investment has also been defined and regulated in Law of the Republic of Indonesia Number 25 of 2007 concerning Investment. According to Article 1 Number 1 in the law, it is stated that investment is all forms of investment activities, both by domestic investors and foreign investors to conduct business in the territory of the Republic of Indonesia. Meanwhile, the purpose of the implementation of investment is regulated in Article 3 Paragraph (2) of Law of the Republic of Indonesia Number 25 of 2007 concerning Investment, namely:

1. Increasing national economic growth;
2. creating jobs;
3. Increasing sustainable economic development;
4. Improving the competitiveness of the national business world;
5. Improving national technological capacity and capability;
6. Encouraging the development of the people's economy;
7. Cultivating the potential economy into real economic power by using funds originating from both domestic and foreign countries; and
8. Improve community welfare.

The investment is divided into 2 (two) sources, namely domestic investment and foreign investment. Domestic investment according to Article 1 Number 2 of Law of the Republic of Indonesia Number 25 of 2007 concerning Investment, is an investment activity to do business in the territory of the Republic of Indonesia carried out by domestic investors using domestic capital. Meanwhile, the definition of foreign investment is mentioned in Article 1 Number 3 of Law of the Republic of Indonesia Number 25 of 2007 concerning Investment, which is an investment activity to do business in the territory of the

Republic of Indonesia carried out by foreign investors, both those who use foreign capital fully and those that are joint ventures with domestic investors. The definition of local investment in this study is intended to be domestic investment as mentioned in Article 1 Number 2 of Law of the Republic of Indonesia Number 25 of 2007 concerning Investment.

### *Definition of Investor*

An investor is a party that places a surplus of funds for investment activities in the business sector, in other words an investor is a person or group that acts as a fund provider or investor for the company's needs. More specifically, investors are individuals or institutions that invest their funds in financial instruments such as stocks, bonds, and so on (Hayatudin, 2021). According to Yusuf, investors are those who put their money into a company as a business in the hope of getting returns and profits in the future (Khusnah & Anshori, 2018).

Investors are also referred to as investors. Article 1 Number 4 of Law of the Republic of Indonesia Number 25 of 2007 concerning Investment, states that investors are individuals or business entities that make investments which can be in the form of domestic investors and foreign investors. Meanwhile, what is meant by domestic investors according to Article 1 Number 5 of Law of the Republic of Indonesia Number 25 of 2007 concerning Investment is an individual citizen of Indonesia, an Indonesia business entity, the state of the Republic of Indonesia, or a region that makes investment in the territory of the Republic of Indonesia, while foreign investors are regulated in Article 1 Number 6 of Law of the Republic of Indonesia Number 25 of 2007 concerning Investment, namely defined as an individual foreign citizen, foreign business entity, and/or foreign government who invests in the territory of the Republic of Indonesia. The definition of local Indonesia investors in this study is intended to be domestic investment as mentioned in Article 1 Number 5 of Law of the Republic of Indonesia Number 25 of 2007 concerning Investment.

### *Definition of Development*

Essentially, development in general can be interpreted as a process of continuous change towards better conditions, based on certain norms. Experts provide various definitions related to development, as well as planning. The definition of development can vary between individuals, regions, and countries, depending on the context of each. The following is the definition of development according to experts:

1. Siagian

Siagian provides an understanding of development as "An effort or series of growth and change efforts that are planned and carried out consciously by a nation, state and government, towards modernity in the context of nation building" (Siagian, 1994).

2. Randy R. Wrihatnolo and Riant Nugroho

Development can be interpreted as a real and natural change in the level of welfare. These changes are influenced by economic, social, political,

and legal aspects. To distinguish natural change from change triggered by external factors outside the human community, development focuses on natural change (Kato, 2021).

3. Robert Tua Siregar

In a book written by Robert Tua Siregar, Suetomo defines community development as a process of transformation towards more prosperous conditions. Thus, improving the standard of living of individuals can be considered as the main goal to be achieved through community development. The success of community development programs depends on the involvement of all community potentials to achieve shared growth. The modernization process indicates that community development is an effort to improve the quality of life in various aspects, with the main focus on social and economic factors (Siregar, 2021).

4. Ginanjar Kartasasmita

Ginanjar Kartasasmita gives a simpler meaning, namely as "a process of change for the better through planned efforts" (Kartasasmita, 1994).

Based on some of the definitions mentioned above, it can be concluded that development is a process of continuous change to move towards a better state based on certain norms.

### ***Concepts of Challenges and Opportunities***

According to the Great Dictionary of the Indonesian Language (KBBI), the definition of a challenge is a thing or object that arouses determination to improve the ability to overcome problems; stimulation (to work harder and so on) (Admin, 2023b). Meanwhile, the definition of challenges in the Lemhannas portal is referred to as something or an effort that is or aims to arouse abilities (Kuliah, Ulasan bersama TNI (Purn.) A. Gani Jusuf, 2008). Meanwhile, the definition of opportunity is a concept that refers to the possibility or potential of an event in the context of a certain situation (Admin, 2023a). Chance is simply a way of expressing the chance of an event occurring. Qualitatively, opportunity can be expressed in the form of adjectives to indicate the possibility of a situation such as "good", "weak", "strong", "poor", "little" and so on (Soedibjo, n.d.). Thus, simply put, chance is how likely something is to happen.

### **METHODOLOGY**

This research is a type of qualitative research. Qualitative research method is a research method used to research on natural object conditions (as opposed to experiments) where the researcher is the key instrument, the results of qualitative research emphasize meaning rather than generalization (Sugiyono, 2016). Qualitative research is research with the aim of understanding phenomena that occur in the subject of research, such as behavior, motivation and action. Furthermore, the data collected is described in the form of words (Moelong, 2009). This research will answer the problem of challenges and opportunities for local investors in Indonesia towards investment potential as a result of the development of the National Capital City (IKN) of the archipelago.

The research approach used is normative juridical research. According to Rukajat, descriptive research is research that seeks to describe phenomena that occur in a realistic, real and contemporary way, because this research consists of making descriptions, drawings or paintings systematically, factually and precisely about the facts, characteristics and relationships between the phenomena studied (Rukajat, 2018). Descriptive research arises because so many questions arise regarding health problems such as mortality, morbidity, especially regarding the magnitude of the problem, the extent of the problem, and the importance of the problem.

Data collection in this study is carried out by means of literature studies, namely by involving the collection of data from documents, archives, or other written materials related to research phenomena. Documentation such as records, reports, letters, books, or other official documents provides insight into the historical context, policies, events, and developments relevant to the research (Ardiansyah et al., 2023). Meanwhile, the presentation of data is carried out in the form of a narrative. In this step, the researcher tries to compile relevant data so that the information obtained is concluded and has a certain meaning to answer the research problem, then in the presentation of the data, the data will be presented in narrative form, which is a form of presentation of the results of the research that has been carried out in the form of sentences or narratives. Thus, the data that has been obtained is then sorted according to the needs of the research, which is then carried out in the process of editing the data so that only the appropriate data is used. The data used will be analyzed by inductive methods to be presented in the form of research.

## **RESEARCH RESULTS AND DISCUSSION**

Indonesia, as an archipelagic country with more than 17,000 islands, is one of the largest economies in Southeast Asia and has great potential as an investment attraction, both from abroad and domestically. The National Capital City (IKN) plays an important role in economic growth, as well as being an investment center in Indonesia. Currently, although Jakarta is still the center of IKN and investment, the plan to move the capital city has been prioritized by President Joko Widodo since April 29, 2019. The decision to move the capital city outside Java Island was included in the 2020-2024 National Medium-Term Development Plan (RPJMN). On January 18, 2022, the National Capital Bill was officially passed into Law Number 3 of 2022 by the House of Representatives of the Republic of Indonesia and the Government, which marked that Indonesia would have a new capital city to replace Jakarta (R, 2023).

The relocation of the State Capital outside Java Island was followed up with the issuance of Law of the Republic of Indonesia Number 3 of 2022 concerning the State Capital. In Article 2 of Law of the Republic of Indonesia Number 3 of 2022 concerning the State Capital, it is stated that the Nusantara Capital City has a vision as a world city for everything that is built and managed with the aim of:

1. To become a sustainable city in the world;
2. As a driver of Indonesia's economy in the future; and

3. To be a symbol of national identity that presents the diversity of the Indonesia nation, based on Pancasila and the Constitution of the Republic of Indonesia in 1945.

In addition to being inaugurated by Law of the Republic of Indonesia Number 3 of 2022 concerning the National Capital, the development of the Nusantara IKN is also strengthened by Presidential Regulation Number 63 of 2022 concerning the Details of the Nusantara Capital City Master Plan (Simanjuntak et al., 2024). In its journey, IKN Nusantara has been designed from the beginning as a catalyst to open up Indonesia's economic potential as a whole, encourage growth, create jobs, and reduce poverty, by making IKN Nusantara a symbol of national identity and a new center of economic gravity which is expected to bring a multiplier effect by making the epicenter of growth that will be more evenly distributed to regions outside Java to support the development of Indonesia Centric towards Indonesia Maju 2045 (Admin, 2022).

In connection with this study, the author puts forward 2 (two) hypotheses, the first is that the development of IKN Nusantara will create significant investment opportunities for local investors in Indonesia, especially in sectors such as infrastructure, property, and services. The government's initiative to build a new capital city will attract massive investment, which will open up new business opportunities for local investors. With the existence of supporting facilities and policies, local investors are expected to take an important role in this development. Furthermore, the second hypothesis is that despite the great investment opportunities, local investors will face significant challenges, such as competition with foreign investors, limited access to capital, and regulatory constraints that may hinder their participation in IKN projects. The study hypothesizes that these factors may affect the ability of local investors to take advantage of existing opportunities, and therefore, appropriate policies and strategies are needed to support their active participation.

In this study, previous research is also presented as a reference and will then be developed by the author in this article, including the following:

1. Research by Suryadi Jaya Purnama and Chotib (2022), entitled "Public Policy Analysis of the Relocation of the State Capital". The research discusses policy implementation and elaborates responses from stakeholders. Meanwhile, the author's research focuses more on utilization after the policy of relocating IKN, especially for local investors in Indonesia;
2. Research by Vita Gemina R (2023), entitled "Investment Potential and Opportunities in the Capital City of the Archipelago in accordance with Government Regulation Number 12 of 2023 concerning the Provision of Business Licensing, Ease of Doing Business, and Investment Facilities for Business Actors in the Capital City of the Archipelago". The research discusses the potential and opportunities as a whole, but in this author's research will be specifically discussed about the potential for local investors only, as well as the challenges;
3. Research by Johana Veronika Simanjuntak and colleagues (2024), entitled "The Potential of the Nusantara Capital City (IKN) as a Catalyst for Economic Equity in Indonesia". The research shows the government's goal

with the construction of IKN which is an effort to improve the economic capabilities of the people, which is also discussed about connectivity between regions, investment climate, unemployment rate, population number, and economic growth. In contrast to the author's research, this research will focus more on discussing opportunities and challenges for local investors with the construction of IKN.

The development of the Nusantara Capital City is a step by the government to encourage inclusive economic growth, with the aim of creating new economic growth centers. This is done so that economic and investment activities are not only concentrated on the island of Java. IKN Nusantara is expected to expand the positive impact of economic development. If the capital is moved to a province that has good connectivity with other provinces, then trade flows in more than 50% of Indonesia's territory can increase (Hasibuan & Aisa, 2020). In addition, the relocation of the capital city also aims to reduce the gap between regions, spur trade between regions, encourage investment in the new capital city and its surroundings, and increase economic diversification (Purnama & Chotib, 2022). This will create economic added value in non-traditional sectors in various regions outside Java.

The development of the Nusantara National Capital City (IKN) in East Kalimantan marks one of the largest projects in Indonesia's history, offering a wide range of investment opportunities. As an ambitious project, IKN Nusantara not only functions as the center of the new government, but also as an economic driving force that can create many opportunities for investors. Given the scale and scope of this project, the need for investment will involve various sectors, from comprehensive infrastructure development to the development of property areas and public services that support daily life in the new capital city.

Along with the development plan that covers various aspects, the Nusantara IKN project will require significant funds to realize its infrastructure, such as roads, bridges, and other public facilities. This creates a great opportunity for local investors to be involved in various stages of development, from planning to implementation. Investors will be able to participate in major project tenders or be part of consortiums that complete construction work, as well as provide the materials and technology needed to support the project.

In addition to the infrastructure sector, property development around IKN Nusantara also offers attractive investment opportunities. With the new government center, there will be a high demand for various types of properties, including residential, commercial, and industrial. Local investors can take advantage of this opportunity to develop real estate projects that will meet the needs of residents and businesses who will be domiciled in the new capital city. The development of residential and commercial areas will be the main driver of local economic growth and increase the value of investment in the region.

The investment opportunities offered by the Nusantara IKN project are not only limited to large companies. Small and medium enterprises (SMEs) also have the opportunity to participate in the construction of the new capital city. With various types of projects and diverse service needs, SMEs can be involved

in the provision of goods and services, ranging from catering, cleaning services, to information and communication technology. This allows local businesses to develop and contribute to regional economic growth.

The development of IKN Nusantara in East Kalimantan promises broad and diverse investment opportunities for local investors. By involving various sectors and types of investments, this project has the potential to stimulate inclusive economic growth and provide significant benefits to all levels of society. Investors, both large and small, have the opportunity to play a role in developing and harnessing the new economic potential offered by the country's new capital.

The development of the National Capital City (IKN) of the archipelago in East Kalimantan brings significant challenges and opportunities for local Indonesia investors. These challenges require careful strategy and adaptation, while the opportunities offer a range of potential benefits for local and national economic growth. The challenges faced by local investors are:

1. **Availability of Infrastructure:** One of the main challenges for local investors is the availability and quality of infrastructure around the Nusantara IKN. Although the construction of the new capital city will include massive infrastructure development, investors may face obstacles in accessibility and facilities that are still in the construction stage. This can affect operational efficiency and the time required to start an investment project.
2. **Regulatory and Policy Certainty:** Projects of this magnitude often involve regulatory and policy changes that may not be fully clear or consistent. Local investors need to address legal and administrative uncertainties that can affect their investment plans. Adaptation to new regulations and legal certainty will be an important aspect of investment planning.
3. **Availability of Skilled Labor:** With massive development, the need for skilled labor will increase. Local investors may face challenges in finding and retaining a workforce that has the necessary skills. Improving local education and training will be essential to meet this need.
4. **Competition with Large Investors:** Local investors may face stiff competition from large investors, both domestic and international, who have greater resources and more experience. This can affect the bargaining position of local investors in large projects and tenders.
5. **Environmental and Social Impacts:** Large projects often have environmental and social impacts that must be carefully managed. Local investors need to ensure that their projects adhere to strict environmental and social standards, as well as address potential resistance from local communities.

Meanwhile, the opportunities that may exist from the development of the Nusantara IKN are as follows:

1. **Opportunities in the Infrastructure Sector:** The development of the Nusantara IKN creates great opportunities in the infrastructure sector, including the construction of roads, bridges, and public facilities. Local investors can be involved in these projects, either as prime contractors or as suppliers of materials and technology.

2. **Property and Real Estate Development:** With the relocation of government centers and the increasing need for residential and commercial space, the property sector around IKN Nusantara offers promising investment opportunities. Local investors can participate in the development of residential buildings, business centers, and other commercial facilities.
3. **Improvement of the Services and Employment Sector:** The construction of the new capital city will increase the demand for various services, such as catering, security, and information technology. This opens up opportunities for small and medium-sized businesses to be involved in the provision of goods and services needed by the project and new residents.
4. **Regional Economic Diversification:** Investment in the Nusantara IKN can help diversify the economy outside Java. With this project, the areas around East Kalimantan can develop into new economic centers, providing opportunities for local investors to access new markets and expand their businesses.
5. **Local Development Initiatives:** The Nusantara IKN project also creates opportunities for local investors to collaborate on local development initiatives, such as education, training, and innovation. Investment in these sectors can support long-term growth and economic sustainability in new regions.

The opportunities mentioned above need to be known and understood by local Indonesia investors so that the entire development of this IKN does not rely on the strength of foreign investors. If the development of the Nusantara IKN is too dependent on the strength of foreign investors, Indonesia has the potential to face several strategic and economic losses. One of the main disadvantages is the loss of national control over this important development project. Dependence on foreign investors can give them great influence in decision-making related to infrastructure, economic policy, and the direction of urban development. This can limit the Indonesia government's room for movement in determining policies that are in accordance with long-term national interests.

In addition, the dominance of foreign investors can also reduce opportunities for entrepreneurs and local investors. Large projects such as the construction of the IKN should be an opportunity for domestic business actors to be actively involved and get economic benefits. If most of the investment and construction projects are controlled by foreign entities, then local entrepreneurs will have a hard time competing, which can result in stunted local economic growth and reduced domestic business capacity development.

Another negative impact of dependence on foreign investors is the potential increase in foreign debt. In a scenario where the development of the IKN is funded by large amounts of foreign loans or investments, Indonesia may be burdened with heavy long-term debt payments. This not only risks the country's fiscal stability, but also reduces flexibility in managing the state budget for other development programs.

In addition, dependence on foreign investors can pose a risk of transferring profits abroad. Most of the profits derived from development

projects will probably be taken by foreign companies, while the remaining economic benefits to local communities will be much less. This will result in a reduction in the long-term positive impact on economic growth and the welfare of the people of Indonesia, especially around the Nusantara IKN area.

Excessive reliance on foreign investment can also increase the economy's dependence on certain countries. This could pose geopolitical risks, especially if international relations are strained. In the long term, Indonesia needs to ensure that the development of the Nusantara IKN involves significant participation from local investors to maintain economic sovereignty, ensure equitable distribution of benefits, and encourage sustainable and inclusive economic growth.

## **CONCLUSIONS AND RECOMMENDATIONS**

The development of IKN Nusantara brings challenges and opportunities for local investors, including the following: the challenge is that investors may face obstacles in accessibility and facilities that are still in the construction stage, inadequate regulations, limited skilled labor, competition with foreign investors, and projects will have an impact on the environment and society. While the opportunities are that local investors can be involved in large projects, local investors can participate in the development of housing, business centers, and other commercial facilities, there are opportunities for small and medium enterprises to be involved in the provision of goods and services needed by the project and new residents, there are opportunities for local investors to access new markets and expand their businesses, and Investment in these sectors can support long-term growth and economic sustainability in new regions. The following recommendations can be given in this study, namely:

### **1. Increasing Access to Capital and Financing for Local Investors**

To support the participation of local investors in the development of the Nusantara IKN, the government and financial institutions need to provide a more flexible and inclusive financing scheme. Credit programs with easier terms, financial technology-based (fintech) funding, and tax incentives can help overcome capital barriers that have been one of the main obstacles for local investors, especially small and medium enterprises (MSMEs).

### **2. Strengthening the Capacity and Skills of Human Resources (HR)**

In order for local investors to compete in development projects in the IKN, there is a need for training and capacity building programs in various fields such as project management, technology, and innovation. Governments and the private sector can collaborate in providing training focused on improving the technical skills and managerial expertise needed to engage in key sectors such as renewable energy, infrastructure, and digital technologies.

### **3. Simplification of Regulations and Licensing to Support Local Investment**

Simplifying regulations and licensing processes is an important step to encourage local investment in IKN. The government needs to strengthen coordination between the central and regional governments and create a more transparent and efficient system in the licensing process. By reducing bureaucracy and providing legal certainty, it will be easier for local investors

to participate in development projects without being hampered by complex regulations.

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