

Harmonization of Investment and Local Wisdom: an Ideal Model of Investment Regulation Based on Local Wisdom in Bali's Tourism Sector

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Abstract: *The influx of investment then has a significant impact on the social life of Balinese indigenous people in preserving their local wisdom. This article raises the issue of the rapid phenomenon of investment in Bali which has the impact of dualism of interests on indigenous peoples who must maintain their local wisdom and on the one hand must also follow the development of economic flows to support their lives. This paper is normative legal research using the method of statutory approach, conceptual approach, and sociological approach. This research argues that the harmonization of tourism investment with the value of Tri Hita Karana in Bali creates a balance between economic benefits and preservation of local cultural identity. The ideal investment model in Bali requires the collaboration of investors, government, and indigenous people through adaptive regulations based on local wisdom.*

Keywords: *Harmonization; Investment; Local Wisdom; Bali.*

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INTRODUCTION

The economic development of a country is closely linked to the existence of the capital market, which is regarded as an effective means to accelerate a country's development.¹ Nowadays, almost all countries, especially developing countries, require foreign capital. Foreign capital has become increasingly important for a country's development, making the presence of foreign investors seemingly unavoidable.² This is evident in the fact that in 2015, the number of investors in Indonesia reached 434,107. This number continued to increase, reaching 12,168,061 in 2023. In 2022, investment realization in Indonesia experienced a significant increase, reaching IDR 1,207.20 trillion, accompanied by a substantial rise in Indonesia's Gross Domestic Product (GDP) at current prices, amounting to IDR 19,588,089.90 billion, and GDP at constant prices of IDR 11,710,247.90 billion. In 2023, investment realization in Indonesia further increased to IDR 1,418.90 trillion, followed by a significant rise in GDP at current prices reaching IDR 20,892,376.70 billion and GDP at constant prices reaching IDR 12,301,393.60 billion.³

Bali is a province in Indonesia that demonstrates impressive economic growth thanks to the continuous flow of investments. The tourism sector serves as the main magnet for both local and foreign investors.

Infrastructure has developed rapidly, creating new jobs and improving the welfare of the community. Government policies that support an investment-friendly climate further strengthen Bali's position as a premier investment destination. The Bali Provincial Government plays a crucial role in foreign investment activities, based on the broad implementation of regional autonomy that allows for driving investment across various sectors and achieving maximum output.⁴ In its development, investment in Bali has targeted the utilization of land owned by indigenous communities. This phenomenon has created new economic flows for the indigenous people, while also presenting challenges in maintaining a balance between progress and the preservation of local wisdom in Bali.

Investment, especially in the tourism sector, contributes significantly to advancing development in Bali; on the other hand, it also has a considerable impact on the development and preservation of local wisdom in Bali.⁵ For the Balinese community, local wisdom is the foundation of a cultural identity that has endured for centuries. The philosophy of Tri Hita Karana serves as a life guide that teaches harmony in the relationship between humans and God, fellow humans, and the environment. These traditional values form a strong fortress against the tide of modernization, while also serving as a unique

¹ Muhammad Adnan dan Zurriyani, "Pemodelan Risiko Investasi di Indonesia," *Jurnal EMT KITA* 6, no. 1 (Januari 3, 2022): 82–88, <http://journal.lembagakita.org/index.php/emt/article/view/509>.

² Chandra Kurniawan, "Pengaruh Investasi Terhadap Perekonomian Indonesia," *Jurnal Media Wahana Ekonomika* 12, no. 4 (2016): 1–9.

³ Putri Kemala Dewi Lubis et al., "The Role of the Capital Market in Increasing Economic Growth in Indonesia," *Indonesian Journal of Interdisciplinary Research in Science and Technology* 2, no. 5 (Mei 31, 2024): 557–568, <https://journal.formosapublisher.org/index.php/marcopolo/article/view/9322>.

⁴ Sumerti Asih, Nyoman Sri Ratnawati, dan I Wayan Wirawan, "Kebijakan Investasi Asing dalam Pengembangan Pariwisata yang Berbasis Desa Adat di Provinsi Bali," *Jurnal Kajian dan Terapan Pariwisata* 1, no. 2 (Mei 17, 2021): 81–90, <https://jurnal.akpar-denpasar.ac.id/index.php/diparojs/article/view/35>.

⁵ Komang Satria Wibawa Putra, I Nengah Dasi Astawa, dan Made Satria Pramanda Putra, "Investment Model for Traditional Villages in Bali as Tourism Village Managers," *Journal of Business on Hospitality and Tourism* 8, no. 2 (Januari 27, 2023): 320, <https://jbhost.org/jbhost/index.php/jbhost/article/view/405>.

tourist attraction, ensuring that local wisdom remains relevant in the sustainable development of the Island of the Gods.

The influx of investment has brought significant impacts on the social life of the indigenous Balinese community in preserving their local wisdom. Social problems arise from the entry of investors, driven by the ease of doing business, into Pakraman Village (traditional village), introducing new values that change the patterns and social order of the community. On the other hand, investment in the utilization of customary land in Bali has become a target for both local and foreign investors, often disregarding the indigenous community and the local wisdom that has developed there. This can be seen from the expansion of residential developments and tourism-supporting accommodations such as hotels, villas, and homestays in villages. The conversion of Subak (traditional irrigation) land into hotels damages the traditional irrigation system recognized by UNESCO. Traditional ceremonies are sometimes commodified into tourist attractions, diminishing their sacred value. Architectural modernization neglects the Tri Mandala concept in traditional spatial planning. The younger generation is increasingly alienated from the Balinese language and customs due to exposure to global culture.

This situation then gives rise to a dualism of interests between the local community and investors. The dualism of interests occurring in Bali creates a tangible tension between two different perspectives. On one hand, the indigenous Balinese community has a fundamental desire to maintain a stable, harmonious, and serene social life, firmly grounded in cultural values, customs, and local wisdom passed down

through generations. This local wisdom is not merely tradition but an identity deeply intertwined with their existence. On the other hand, the rapid development of economic flows and the push for ease of doing business policies prioritizing investment convenience have created new dynamics. Unconsciously, the indigenous community is gradually swept up in changes that erode their traditional values. Easy economic access and promises of material prosperity often obscure awareness of the ongoing degradation of local wisdom. The cultural and social issues threatening the existence of local wisdom directly impact the holistic welfare of the indigenous community. Although economically beneficial on the surface, the erosion of traditional values has the potential to disrupt the fundamental rights of the indigenous people regarding cultural identity, environmental governance, and social independence that they have preserved for centuries.

The main issue in this article is the rapid phenomenon of investment in Bali, which brings about a dualism of interests for the indigenous communities who must preserve their local wisdom while on the other hand also need to keep up with economic developments to support their livelihoods. This paper is written to present a study on the harmonization of investment and local wisdom, by providing an ideal model for investment regulation based on local wisdom in Bali.

METHOD

The research method used in this study is the normative research method,⁶ as this research is conducted or focused solely on written regulations or legal materials related to the harmonization of investment and local

⁶ Peter Mahmud Marzuki, *Penelitian Hukum: Edisi Revisi*, 19 ed. (Jakarta: Prenada Media Group, 2019).

wisdom in Bali. The statute, conceptual, and sociological approaches are employed to support this type of research. The legal materials used to support the discussion of the issues above consist of primary legal materials, secondary legal materials, and tertiary legal materials.⁷ The technique for collecting legal materials is by recording through a file system. This study uses a library research technique, and the collected materials are analyzed descriptively through evaluation and argumentation.

ANYLISIS AND DISCUSSION

Harmonization of Investment and Local Wisdom in Bali's Tourism Sector

Local wisdom, together with the development of modern society, forms a harmonization that shapes the legal order within the community. This relationship is realized through the implementation of the 1945 Constitution of the Republic of Indonesia, specific legislation and regulations in a systematic manner, the integrated protection of the local community's rights to utilize their traditional intellectual property, natural resource management, and public policies founded on the participation of all societal layers. Such legitimacy essentially strengthens national identity without disregarding modernization.⁸ According to Leyd, the essence of local wisdom is:⁹

"Local wisdom represents the local knowledge based on local cultural values. Local wisdom can be

perceived through people's everyday life because the end of sedimentation from local wisdom is tradition. Local wisdom can become potential energy to develop their environment to become civilized. Local wisdom is a result from common response with environment condition around them."

This view emphasizes that local wisdom is knowledge based on local cultural values, manifested in daily life and crystallized into tradition. As a collective response to environmental conditions, local wisdom possesses the potential power to advance society toward greater civility. Its essence lies in the accumulation of wisdom that emerges from the continuous interaction between humans and their environment.

The advancement of the times and the advent of modernization demand that society adapt to various aspects of a modern lifestyle, which in turn alters the social structure and traditional customs, both in terms of socio-cultural and economic practices. Furthermore, modernization and globalization also significantly impact the existence of local wisdom, particularly in the economic aspect.¹⁰ Not exempted in the Bali region, the reality is that recently the Balinese community tends to adopt modern culture, which may be considered more practical compared to local culture. On the other hand, the Balinese people find themselves at a crossroads as they actively revive the traditional villages

⁷ Gracia Gracia, Dylan Aldianza Ramadhan, dan Juan Matheus, "Implementasi Konsep Euthanasia: Supremasi Hak Asasi Manusia dan Progresivitas Hukum di Indonesia," *Ikatan Penulis Mahasiswa Hukum Indonesia Law Journal* 2, no. 1 (Februari 1, 2022): 1–24, <https://journal.unnes.ac.id/sju/index.php/ipmhi/article/view/53730>.

⁸ Eko Noer Kristiyanto, "KEDUDUKAN KEARIFAN LOKAL DAN PERANAN MASYARAKAT DALAM PENATAAN RUANG DI DAERAH," *Jurnal Rechts*

Vinding: Media Pembinaan Hukum Nasional 6, no. 2 (Agustus 31, 2017): 151–169, <https://rechtsvinding.bphn.go.id/ejournal/index.php/jrv/article/view/172>.

⁹ Ibid.

¹⁰ Ines Tasya Jadidah et al., "Analisis Pengaruh Arus Globalisasi Terhadap Budaya Lokal (Indonesia)," *Academy of Social Science and Global Citizenship Journal* 3, no. 2 (Desember 1, 2023): 40–47, <https://jurnal.ucy.ac.id/index.php/AoSSaGCJ/article/view/2136>.

(Pakraman Village). In other words, the Balinese community is confronted with a paradoxical phenomenon, standing on two different foundations. The right foot is anchored in the strength of tradition, while the left foot adheres to external value systems (modern values). This influence of external culture causes an imbalance, resulting in the Balinese community experiencing disorientation and dislocation in nearly every aspect of life.

The inability of the Balinese community to fully participate in and benefit from the opportunities presented by the advancement of the tourism industry over a certain period may lead to negative social implications. Increasing social disharmony becomes palpable, potentially resulting in conflicts becoming a common occurrence within society. The harmonious atmosphere seems to become a rare commodity due to social pressures and economic hardships that ultimately lead to social and economic disparities. The undeniable social and economic reality is that the progress of the tourism industry has not been fully accelerated or owned by the Balinese people. In fact, it has often been revealed in local media and limited dialogues that no less than 75% of investments in the tourism industry sector are owned by outsiders. Nevertheless, it is evident that the presence of the tourism industry has significantly contributed to improving the welfare and prosperity of the Balinese community.¹¹

The advancement of the tourism industry has not only boosted Bali's economy but also stimulated the growth of other sectors. Over the past 25 years, the tourism industry has contributed approximately 40% to Bali's Gross Regional Domestic Product (GRDP).

While these positive impacts are felt by the community, the progress in tourism has also brought negative consequences. On the positive side, the Balinese people have gained economic benefits, and Balinese culture has been progressively revitalized. However, alongside this, certain cultural elements intended for tourist consumption have been produced en masse, leading to commercialization and materialistic orientation, which in turn has caused cultural distortion.¹²

The fundamental development pattern of Bali has established Hinduism and Balinese culture as the guiding principles and foundational framework for all development activities, including those in the industrial sector. This is equally true for the development of the tourism industry. The teachings of Tri Hita Karana serve as the essential guideline, placing the concept of harmony as the spirit or "taksu." However, in reality, many developments in Bali have neglected or even outright denied this fundamental development pattern. For instance, the rapid growth of shopping centers and commercial shop houses in strategic locations has physically altered Bali's landscape, leading to the saying "seribu pura" (a thousand temples) often being cynically transformed into "seribu ruko" (a thousand shop houses).

Bali is built upon its uniqueness, and based on this foundation, it has developed into one of Indonesia's main tourist destinations. The distinctiveness of Bali is reflected in the way of life of its people, particularly the followers of Hinduism. Almost all aspects of community life seamlessly integrate religion, customs, and culture. For outsiders, especially non-Balinese, it is often difficult to distinguish

¹¹ I Nengah Dasi Astawa dan Gede Sedana, *Kearifan Lokal di Bali dan Pembangunan Ekonomi: Suatu*

Model Pembangunan Ekonomi Bali Berkelanjutan (Denpasar: Pustaka Larasan, 2017).

¹² Ibid.

which activities are religious and which are customary or cultural. This way of life causes religious, customary, and cultural activities to remain vibrant and “imbued with sacred energy” (bertaksu) throughout the day. Visitors, particularly foreign tourists, are often amazed by this integration and interconnection of religion, customs, and culture. There is not a single day without religious, customary, and cultural activities on this island, often called the “last paradise.”

Likewise, the economic activities of the Balinese people are inseparable from ritual practices. There is no economic activity that proceeds without being accompanied by ceremonies. From the initial phase of establishing a business known as ‘ngawit lan padewasan’ to its operational stages, rituals are integrated throughout. Even the closure of a business in Balinese (Hindu) tradition is not done arbitrarily, but must be conducted through a specific ritual called mreline. This cultural mindset reflects a deeply rooted expectation that economic development must be oriented toward harmony, balance, and sustainability, with a focus on welfare and justice. Such a way of thinking is grounded in the awareness of Bali's limited natural resources, which demands intelligent, precise, effective, and efficient management. Ultimately, this approach aims to realize holistic prosperity for the Balinese people both physically and spiritually a state referred to as ‘jagadhita’.

In realizing the aspirations outlined above, it is essential to develop a model or strategy for economic development that can transform challenges into opportunities. The development concept based on Tri Hita Karana serves as a foundational framework

for integrating economic interests with traditional values. The Tri Hita Karana philosophy comprising ‘parahyangan’ (harmonious relationship with the Divine), ‘pawongan’ (harmonious relationship among humans), and ‘palemahan’ (harmonious relationship with the natural environment) is an inseparable unity. This means that the integration of these three elements must be reflected and implemented in the everyday life of the community.¹³ Bali, as one of Indonesia's premier tourism destinations with its own distinctive characteristics that set it apart from other destinations, is rightfully expected to adopt and adapt the spirit of local wisdom in fostering the community's economic activities including the development of sustainable tourism as a key sub-sector of Bali's economic growth. The tourism sector is highly vulnerable to global issues, and when external pressures become unavoidable, there is only one path forward: to strengthen internal resilience and that internal strength is embodied in local wisdom.

The Ideal Regulatory Model for Investment Based on Local Wisdom in the Tourism Sector in Bali

The enactment of Law No. 15 of 2023 concerning the Province of Bali embodies the spirit of strengthening the existence of local wisdom within the lives of the Balinese people. The Balinese community believes that the primary source of welfare and happiness lies in the harmonious relationship between humans and God Almighty, harmony among fellow human beings, and harmony between humans and the natural environment—aligned with a philosophy rooted in Balinese local wisdom.¹⁴ This philosophy and local wisdom

¹³ Eko Setiawan, “Implementasi Konsep Tri Hita Karana Dalam Konservasi Taman Nasional Alas Purwo Berbasis Kearifan Lokal,” *Sosial: Jurnal Ilmu-Ilmu Sosial* 24, no. 1 (2023): 15–21.

¹⁴ N R P Salain dan N M M Mahastuti, “Sustainable Development of Taman Harmoni Tourism Area, Karangasem based on Local Wisdom's Value,” *IOP Conference Series: Earth and Environmental Science*

must be continuously preserved, developed, and sustainably maintained by the people of Bali.

The granting of regional autonomy must take into account the region's potential across various aspects, including cultural richness, local wisdom, geographical and demographic conditions, as well as the challenges and dynamics faced at local, national, and international levels. This approach is essential to accelerate the achievement of public welfare in the Province of Bali within the framework of the Unitary State of the Republic of Indonesia, grounded in the values of Pancasila.¹⁵ On the other hand, in the context of tourism sector investment, the Bali Provincial Government has enacted and implemented Regional Regulation of the Province of Bali Number 5 of 2020 concerning the Standards for the Implementation of Cultural Tourism in Bali, as well as Governor Regulation of Bali Number 52 of 2021 concerning the Implementation Guidelines for Regional Regulation Number 5 of 2020. However, these regulations have not yet adequately addressed the legal needs of the Balinese community, particularly in preserving cultural elements rooted in customs, traditions, arts, and local wisdom, which are integral parts of the nation's heritage.

Sustainability considerations are also a crucial factor in updating regulations concerning the harmonization of investment and local wisdom, particularly in the tourism sector. As an international tourist destination, Bali faces significant pressures related to the use of natural resources and the environmental

impacts of large-scale development.¹⁶ The new regulations must provide clear guidelines regarding sustainable development standards, including waste management, water conservation, energy efficiency, and the preservation of the natural environment. This is essential to ensure that development in Bali not only meets aesthetic and functional needs but also contributes positively to environmental sustainability. Moreover, the growth of the creative economy and the tourism industry in Bali also requires regulations that are more adaptive to market demands without neglecting local cultural values.

The aspects that need to be regulated in the harmonization of investment and local wisdom, particularly in the tourism sector, include the following:

1. Including the Role of Customary Village Leaders as the Licensing and Supervisory Authorities in the Investment Process.

The customary village, as a traditional institution holding authority over customary affairs, must be granted clear and explicit authority in the licensing and supervisory processes within its territory. The formal integration of customary village leaders as the principal authority in the investment licensing and oversight system establishes a new paradigm of participatory governance that acknowledges the sovereignty of local wisdom. This model transforms customary village leaders from mere stakeholders into active regulators endowed with legal authority to evaluate,

903, no. 1 (November 1, 2021): 012004, <https://iopscience.iop.org/article/10.1088/1755-1315/903/1/012004>.

¹⁵ I Made Wimas Candranegara et al., "Strategy for Developing the UMAURIP Eco-Tourism Area in Timpag Village, Kerambitan District, Tabanan," *KnE Social Sciences* (Maret 15, 2022): 428,

<https://knepublishing.com/index.php/KnE-Social/article/view/10569>.

¹⁶ Putu Ayu Suniadewi, "Tantangan dan Peluang Pariwisata Bali Menuju 2045," *Kementerian Sekretariat Negara RI*, last modified 2024, https://www.setneg.go.id/baca/index/tantangan_dan_peluang_pariwisata_bali_menuju_2045.

approve, and monitor investment projects based on parameters rooted in Balinese traditional values. This revolutionary approach not only protects cultural heritage but also creates an innovative framework for sustainable development that harmonizes economic progress with the preservation of cultural identity, thereby offering a holistic solution to the long-standing dualism of interests that has been a persistent dilemma in studies of modernization grounded in local wisdom.

The role of customary village leaders in the licensing process must be regulated systematically and integrated with the formal licensing system of the regional government. Coordination mechanisms between the customary village and relevant government agencies must be clearly established to avoid overlapping authorities or conflicts during the permit issuance process. Customary leaders should be involved from the early planning stages to ensure that investment plans align with the prevailing customary values and norms.

The role of customary village leaders in the investment licensing process needs to be integrated with the formal licensing system. These leaders act as the initial filter to ensure compliance with customary values and local socio-cultural balance. They conduct preliminary verifications concerning land status, conformity with customary spatial planning, and potential impacts on communal life. Additionally, the customary leaders serve as mediators bridging the interests of investors and local communities, preventing potential conflicts and ensuring equitable distribution of economic benefits. Coordination with regional government is

realized through regular consultation mechanisms, data exchange, and the establishment of joint standards that respect customary autonomy while remaining aligned with formal regulations, thereby achieving an effective and sustainable licensing system harmonization.

In terms of supervision, customary village leaders must be granted the authority to monitor the licensing process. They should also have the right to provide input and recommendations for improvements if any non-compliance with applicable customary regulations is found. A clear reporting system and follow-up mechanisms for supervisory findings must be established to ensure the effectiveness of the customary village leaders' supervisory role.

To support the role of customary village leaders, there needs to be a capacity-building program to enhance their understanding of the technical aspects of modern investment. This can be achieved through training sessions, workshops, or regular coordination forums with practitioners and relevant government agencies. Thus, the customary village leaders will be able to perform their supervisory roles more effectively and professionally.

The regulation of customary sanctions also needs to be integrated into this regulation as a complement to formal administrative sanctions. Violations of customary provisions or non-compliance with recommendations from the customary village must be subject to customary sanctions in accordance with the agreements of the local community. This will strengthen the position of the customary village in overseeing investment development that aligns with

Bali's cultural values. Overall, this regulation should be able to create a balance between the interests of modern investment and the preservation of traditional values.

2. Investment must prioritize the preservation and function of the environment as well as cultural heritage.

To realize investment that respects environmental sustainability and cultural functions in Bali, a comprehensive approach is required—one that integrates several crucial aspects. The implementation of the Tri Hita Karana principle offers an innovative regulatory framework that mandates every investment project in Bali to undergo a comprehensive cultural impact assessment as a prerequisite for obtaining permits. This model incorporates measurable cultural ecosystem preservation indicators into investment feasibility standards, transforming sustainability from a secondary concern into a primary determinant of project viability. In parallel, there is a need to mandate a fixed percentage of investment profits to be allocated for environmental conservation and cultural preservation funds. These funds should be transparently managed by a multi-stakeholder institution, prioritizing programs aimed at the regeneration of cultural and natural heritage. By requiring the allocation of a fixed percentage of investment profits for preservation funds—jointly managed with indigenous communities this paradigm fosters a regenerative symbiosis between economic growth and cultural vitality, resulting in a sustainable development model that strengthens rather than erodes—the value system that forms the foundation of Bali's identity.

3. Regular evaluations by various stakeholders.

Annual evaluations conducted by the Adat Village, Administrative Village, environmental experts, investor representatives, and the local government are essential to monitor the implementation of conservation commitments and to ensure the sustainability and alignment of investments with local wisdom in Bali. This evaluation process ensures that investments comply with both national regulations and customary laws, do not harm the environment, and respect the local culture and traditional values.

The concept of an ideal investment regulation model based on local wisdom in Bali's tourism sector encompasses the regulation of physical development as well as the preservation of cultural values and the environment within the Province of Bali, with the aim of creating an optimal balance. This model is essential to ensure that investment growth and development do not solely focus on physical infrastructure, but also take into account the preservation of Bali's rich cultural and natural heritage. Through prudent policymaking, it is expected that economic growth can proceed in tandem with efforts to safeguard the environment, protect traditional customs, and enhance the quality of life for local communities. The model will also provide a clear framework for both investors and indigenous communities to carry out investment activities with due regard to sustainability principles and a shared sense of responsibility toward Bali's cultural heritage. In this way, investment in Bali can be conducted sustainably, yielding maximum benefit for all segments of society, while ensuring that the Island of the Gods remains a place where progress coexists harmoniously with the preservation of culture and nature.

CONCLUSION

The harmonization of investment with local wisdom in Bali's tourism sector is essential to preserving cultural identity and environmental sustainability. The integration of local values such as Tri Hita Karana has the potential to foster sustainable tourism development. Collaboration among investors, the government, and local communities is crucial in creating an investment climate that aligns with Bali's cultural values. The ideal model for investment regulation in Bali must place local wisdom as its foundational principle. This includes adaptive regulations, the participation of indigenous communities, and the enforcement of sustainability principles. Such an approach ensures that investment not only generates economic benefits but also safeguards cultural heritage and supports social and ecological balance in Bali's tourism destinations. Therefore, the Government must strengthen regulatory frameworks and promote synergy between investors and local communities to uphold Balinese cultural values, and formulate inclusive investment policies that actively involve local communities while prioritizing sustainability and cultural preservation. On the other hand, indigenous communities must be actively engaged in the planning, supervision, and evaluation of investment projects to ensure alignment with Bali's local values.

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