



Navigating the Currents of Change: Synergy between Foreign Investment and Integrating the Rights of Balinese Indigenous Communities

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Manuscript ID	178986
Article History	Submitted: 20 July 2026 Reviewed: 26 December 2026 Revised: 28 December 2026 Accepted: 30 Desember 2026
Author(s) Origin	Indonesia
Abstract	<p>Foreign investment in Bali has had a significant impact on the rights of indigenous peoples. While this investment can boost the local economy, indigenous peoples are often marginalized in decision-making regarding land and natural resource use. Many investment projects ignore traditional land rights, leading to land shifting and cultural erosion. Without adequate protection, indigenous peoples risk losing their identity and cultural heritage. The background of this research focuses on the increasing foreign investment, especially in the tourism sector, which often ignores the interests of local communities. The purpose of this research is to analyze existing regulations and their impacts on indigenous peoples, and to identify the challenges they face. The method used in this research is normative legal analysis, which examines related regulations, including Law No. 25 of 2007 and Regional Regulation No. 4 of 2019. The results of the study show that although there has been progress in recognizing the rights of indigenous peoples, the implementation of regulations is often ineffective. The conclusion of this study emphasizes the need for stricter regulations and the involvement of indigenous peoples in the decision-making process.</p>
Keywords	<i>Foreign investment, customary law community rights, cultural heritage</i>

INTRODUCTION

Balancing economic with indigenous peoples' rights creates complex challenges in developing regions, especially in culturally rich areas like Bali, Indonesia. As foreign direct investment continues to reshape Bali's economy, indigenous villages face the challenge of preserving their cultural heritage while contributing to economic growth—a role that remains crucial but undervalued.

Bali's status as a major tourism destination has attracted substantial foreign investment, but this has created tensions with traditional governance and cultural preservation needs. Indigenous villages in Bali operate under customary laws (awig-awig) that govern community life, resource management, and cultural practices. These traditional systems often clash with conventional investment approaches.

This leads us to a fundamental question: How can foreign investment in Bali respect and integrate indigenous peoples' rights while promoting sustainable economic development that truly benefits local communities?

Previous research has laid important groundwork but leaves significant gaps. Examined factors affecting economic growth in indigenous communities but didn't address how traditional governance regulates foreign investment. Looked at Indonesia's legal framework but focused mainly on labor outsourcing rather than indigenous rights in investment contexts. Established basic principles of customary law in Indonesia, providing a foundation for understanding customary villages' legal position, but didn't anticipate modern challenges from globalized investment patterns.

While these studies offer valuable insights into indigenous rights and economic development, they don't adequately address the specific interactions between Balinese customary villages and foreign investment regulations in today's context.

This study is significant because it explores legal and cultural mechanisms that can create harmony rather than conflict between foreign investment and indigenous peoples' rights in Bali. Unlike previous research that treats economic development and cultural preservation as separate or opposing forces, we propose that well-structured investment can actually strengthen cultural integrity when indigenous peoples have proper legal standing and participation rights.

Regional Regulation No. 4 of 2019 on Customary Villages shows that Bali has taken steps to formalize customary villages' role, but implementation challenges persist, especially with foreign capital involvement. We aim to develop a framework that recognizes customary villages not just as passive recipients of investment decisions, but as active participants with legally recognized authority to shape investments affecting their communities and cultural assets.

Our methodology uses normative legal research, focusing on how rules and norms apply in positive law through legislative and conceptual approaches. We examine primary legal materials including Law No. 25 of 2007 on Investment, Law No. 6 of 2014 on Villages, Regional Regulation No. 4 of 2019 on Customary Villages, and awig-awig from selected Balinese customary villages. Secondary materials include legal literature, research findings, scientific journals, and other legal writings on foreign investment in traditional villages. We collect legal materials through library research and legal documentation, then analyze them using qualitative legal analysis methods to address research problems based on relevant legal theories, concepts, and principles.

ANALYSIS & DISCUSSION

Righth of Indigenous Communities in Bali Investment

Bali, with its rich culture and traditions, has indigenous peoples who have a close relationship with the land, natural resources, and the surrounding environment. If seen from tourism to the economy in Bali, it is almost dominated by foreign investment, as evidenced by the rapid growth of tourism and the economy in Bali. This is continuous when associated with current investments where the rights of indigenous peoples in Bali are a very important aspect in the implementation of rapidly growing investments on this island. Of course, in facing the flow of investment, understanding how these rights play a role and are protected is something that should be understood.

Indigenous peoples in Bali have rights to land and natural resources that have been passed down from generation to generation. Land for the Balinese people is not only an economic asset, but also has deep spiritual and social values. Each traditional village in Bali has a clear territory, where the community manages the land and resources in accordance with applicable traditions and customary laws. In investment, the rights of indigenous peoples in Bali are often threatened by development projects that do not pay attention to the interests of local communities.

In many cases, investments coming into Bali, such as the construction of hotels, villas, and tourism infrastructure, are often made without involving indigenous communities in the decision-making process. This can lead to conflict, because communities feel that their rights are being ignored. Therefore, it is important for investors to realize that the sustainability of their investments is highly dependent on the support and participation of local communities.

One form of recognition of the rights of indigenous communities in Bali is through existing laws and regulations. Law Number 6 of 2014 concerning Villages, for example, provides space for indigenous villages to play a role in managing natural resources and development in their areas. In this case, indigenous communities are expected to be actively involved in the planning and implementation process of investment projects that impact their lives.

However, even though there are supporting regulations, challenges remain. Investors often ignore the consultation process with indigenous communities, resulting in dissatisfaction and rejection from parties who feel disadvantaged, namely indigenous communities. Constructive communication between investors, the government, and indigenous communities is very important in this regard. Investors need to understand the cultural and social values of the Balinese people, and respect their rights in every investment step they take.

The importance of indigenous peoples' participation in investment is also related to the principle of sustainability. Investments that take into account the rights of indigenous peoples tend to be more successful and sustainable. By involving local communities, investors can leverage the knowledge and experience of the community in managing

natural resources sustainably. This is not only beneficial for the community, but also for investors who want to build a good reputation and gain support from the community.

In addition, indigenous peoples in Bali also have the right to benefit from the results of investments made in their area. This includes access to employment, training, and opportunities to participate in businesses related to investment projects. If the community feels that they are getting fair benefits from the investment, then a sense of ownership and support for the project will emerge.

Protection of the culture and traditions of indigenous peoples is also crucial and has been regulated in the awig-awig. Any investment that has the potential to threaten cultural values must be carefully evaluated. The community has the right to reject investments that are considered to damage their identity and traditions. The awig-awig functions as a fortress that maintains the sustainability of culture and ancestral heritage.

In addition, Awig-awig also includes a sanction mechanism for parties who violate the agreed provisions. If an investment is made without following the procedures set out in the awig-awig, indigenous peoples have the right to demand accountability or stop the project. This shows that indigenous peoples have the power to protect their rights and ensure that investments are made in a fair manner.

And to achieve this, transparency and accountability from investors are needed. Indigenous peoples must be given clear information about the project to be carried out, including the impacts that may arise. Thus, they can provide constructive input and opinions, which will ultimately benefit all parties.

Implementation of PMA Investment in Legal Society in Bali

Foreign investment in Bali's traditional villages creates a fascinating yet complex dynamic between modern economic development and age-old cultural practices. When international investors arrive with capital and business plans, they encounter communities that have been self-governing for centuries through their own unique systems of customary law known as awig-awig.

Legal Framework and Authority Distribution

The legal landscape governing foreign investment in customary villages involves multiple layers of authority, each playing a distinct role in the decision-making process. At the national level, Law No. 25 of 2007 concerning Investment provides the fundamental framework, while Regional Regulation No. 4 of 2019 on Customary Villages gives these traditional communities unprecedented formal recognition and authority over their own economic development.

What makes Bali's approach particularly interesting is how it attempts to balance different levels of government authority. The central government maintains control over large-scale investments involving natural resources or national security concerns, while provincial and local governments handle smaller, region-specific projects. Most importantly, customary villages now have legally recognized authority to manage their own

tourism assets and cultural resources through what's called padruwen desa adat, essentially, everything the village considers its cultural and economic heritage.

The Reality of Implementation

While the legal framework looks comprehensive on paper, the real-world implementation tells a more complicated story. Foreign investors often find themselves navigating not just government bureaucracy, but also traditional decision-making processes that can be quite different from Western business practices. Village councils (prajuru adat) make decisions through consensus-building processes that can take considerable time, which sometimes frustrates investors accustomed to faster timelines.

The licensing process has been streamlined through the One-Stop Integrated Service (PTSP) system, but investments in traditional village areas require additional steps that acknowledge the cultural dimension. Investors must now conduct cultural impact assessments alongside environmental ones, consult with village authorities before applying for permits, and demonstrate how their projects will benefit the local community while respecting traditional practices.

Challenges and Opportunities

The current system creates both opportunities and challenges for all parties involved. On the positive side, it gives traditional villages a voice in their own economic development and helps ensure that tourism development doesn't completely overwhelm local culture. Villages can now establish their own enterprises (Bumdes Adat) and directly participate in tourism revenue, rather than simply being passive recipients of whatever economic benefits trickle down from large developments.

However, implementation remains inconsistent across different regions of Bali. Some villages have embraced their new authority and successfully partnered with foreign investors to create sustainable tourism projects that showcase their culture while providing economic benefits. Others struggle with the complexity of modern investment procedures or lack the technical knowledge to effectively negotiate with sophisticated international businesses.

The tension between preserving cultural authenticity and meeting investor expectations for financial returns continues to create friction. Villages want to maintain their traditional way of life, while investors need predictable returns on their capital. Finding the sweet spot where both sides benefit requires ongoing dialogue, patience, and often creative solutions that weren't anticipated when the regulations were first written. This evolving landscape suggests that successful foreign investment in Bali's traditional villages requires more than just meeting legal requirements, it demands genuine cultural sensitivity, long-term commitment to community partnership, and recognition that economic development in these contexts happens on timelines and through processes that may be quite different from conventional business practices.

Positive and Negative Impacts

Bali as a tourist destination rich in natural resources attracts various foreign investors to invest in it, which will also affect the role and rights of the Balinese indigenous people. So that foreign investment (PMA) in Bali is like a double-edged sword, bringing potential benefits as well as significant challenges to the socio-cultural and environmental order of the local indigenous people. Therefore, foreign investment in Bali which will have a double impact, namely positive and negative impacts, needs to be analyzed to determine the sectors that will be affected later, such as the economic, social, and cultural sectors in the Balinese indigenous community, also to determine the risks and challenges that will be faced, and for the sake of forming regulations that are able to protect the rights of the Balinese indigenous community.

Through a qualitative approach, where researchers collect previous data to obtain actual information, it can be concluded that there are several positive impacts of foreign investment on the Balinese indigenous community, including: (1) Encouraging the economy of the Balinese indigenous community, (2) Development of facilities and infrastructure that are more evenly distributed to the Balinese indigenous community, and (3) Transfer of technology, knowledge, and expertise to the Balinese indigenous community.

The purpose of encouraging the economy of the Balinese indigenous people can refer to the potential for foreign investors to create new jobs for the Balinese indigenous people, which will increase household income and their standard of living, especially if the foreign investors invest in the tourism and creative industry sectors. Furthermore, through foreign investment, the facilities and infrastructure of the Balinese indigenous people can be more affordable, thereby fostering equitable development, because several foreign investors in Bali contribute to the development of infrastructure around the areas where they operate, such as building roads, electricity, clean water, and communication facilities.

In addition, the presence of foreign investors will also provide new technology, knowledge, and skills to the Balinese indigenous people because they will bring technology from their country that is not yet available in Indonesia. Therefore, the Balinese indigenous people can gain new knowledge and skills in various fields, such as management and tourism. This capacity building can empower the Balinese indigenous people to participate more actively in the economy. It should also be noted that foreign investment can also have several negative impacts on the Balinese indigenous people if it is not managed wisely and without considering the interests of the rights of the Balinese indigenous people, which include: (1) Land shifting and loss of traditional living space, (2) Erosion of culture and traditional values, and (3) Economic inequality and marginalization.

More specifically, the meaning of land shifting and the loss of traditional living space of the Balinese indigenous people refers to foreign investment in the property and tourism sectors which can cause land prices to increase and encourage indigenous people to sell or rent their ancestral land. This can result in the loss of traditional living space, places for socio-cultural activities, and sources of livelihood that have been passed down from generation to generation. In addition, the presence of foreign investors can also bring

foreign cultures that can erode the noble values, customs, and traditions of the Balinese indigenous people. Commercialization of culture for tourism also risks reducing the sacred and spiritual meaning of cultural practices in Balinese indigenous communities. Although foreign investment can create jobs, often key positions and higher-wage jobs are filled by foreign workers or migrants from outside Bali. Indigenous communities may only get low-wage jobs and do not have the same opportunities to develop businesses or participate in higher economic value chains, thus increasing economic inequality and marginalization. Therefore, to maximize the positive benefits and minimize the negative impacts of foreign investment on the rights of Balinese indigenous communities, strong regulations, strict supervision, and active participation and protection of indigenous peoples' rights are needed in every foreign investment process. Local governments and related parties need to ensure that foreign investment provides sustainable benefits to Balinese indigenous communities without sacrificing their cultural identity and well-being.

Case Study

Bali with its strong tourism appeal is a magnet for foreign investment, especially in the fields of property, tourism, and supporting businesses. One of the areas that actively attracts foreign investors is the coastal area of South Bali related to tourism development. South Bali has beautiful beaches and is known internationally as a stunning tourist destination and has become a major attraction for international tourism, such as Kuta Beach, Seminyak, and Nusa Dua. This attracts many foreign investors to invest in infrastructure development, especially accommodation such as hotels, villas, restaurants, and entertainment. Some examples of foreign companies in this sector that significantly affect indigenous peoples in the Balinese customary area are resort and tourism development companies, a hypothetical example of which is PT Ombak Indah Resort. The presence of these foreign companies creates jobs for local people in the fields of hospitality, tourism, and related services, and can contribute to infrastructure development around the resort area. However, if not managed properly, it can lead to the conversion of agricultural land or public spaces owned by indigenous peoples into commercial areas. Land prices around resorts can increase, making it difficult for indigenous peoples to own or maintain ancestral land. In addition, interaction with foreign tourists can affect local cultural values and traditions, especially if there is excessive commercialization of culture.

The relevant conflict that occurred due to the development, namely regarding access to Batu Mejan Temple and Setra in Canggu between indigenous communities and tourism entrepreneurs, shows how tourism development can clash with indigenous interests (Landra, 2018).

In addition to the tourism development and construction sector, there are also examples of foreign investors in the large-scale agribusiness sector, for example, a hypothetical example is PT Hijau Subur Lestari. Where the presence of the foreign company introduces new agricultural technology and creates economic opportunities through partnerships with local farmers. However, if the company controls a large area of land, it can reduce the agricultural land owned by indigenous peoples. Changing traditional

agricultural practices to monoculture can also threaten biodiversity and the Subak agricultural system which is Bali's cultural heritage. The potential for conflict related to water rights and natural resources can also arise.

In addition, several foreign investors who have invested in Bali include PT Tirta Investama (Danone AQUA) from France in the bottled water sector, PT Bali Nirwana Resort (MNC Land previously collaborated with the Trump Organization) from the United States in the tourism and resort sector, and PT Bali Pecatu Graha (Developer of the Pecatu Indah Resort Area) which comes from within the country or Indonesia but in its development involves foreign investment, which is in the property and tourism development sector, such as the Dreamland integrated resort area.

CONCLUSION

This study examines the complex interactions between foreign investment and indigenous peoples' rights in Bali within the framework of sustainable economic development. Based on a normative analysis of laws and regulations and their implementation, it can be concluded that the legal framework governing foreign investment in Balinese traditional villages has undergone significant development, especially through Regional Regulation No. 4 of 2019 concerning Traditional Villages which formally recognizes the authority of traditional villages in managing economic resources including tourism assets.

Foreign investment has a dual impact on Balinese indigenous peoples. Positive impacts include improving the local economy, developing infrastructure, and transferring technology and knowledge. While negative impacts include shifting traditional lands, potential erosion of cultural values, and the risk of economic inequality and marginalization of local communities.

The study found that while there has been progress in recognizing indigenous peoples' rights through the existing regulatory framework, implementation still faces challenges in balancing national investment objectives with local cultural preservation imperatives. This tension reflects the complexity of the relationship between economic development and cultural preservation in the context of foreign investment in Bali's indigenous areas. In addressing the challenges posed by foreign investment in Bali, it is important to increase the involvement of indigenous communities at every stage of the project. Investors should conduct early consultations with local communities to understand their needs and concerns. In addition, stricter regulations are needed to protect the rights of indigenous communities and ensure that investments do not damage culture and the environment. The application of customary laws as guidelines in investment projects is also very important. Training programs for indigenous communities should be provided to improve their skills and knowledge in managing resources. Transparency in project information must also be upheld, so that communities can provide constructive input. Finally, regular research and evaluation of investment impacts need to be carried out so that all parties can adapt and ensure that investments provide sustainable benefits to indigenous communities and the surrounding environment.

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