



Danantara in the Light of Legal Theories: A Normative Assessment of Indonesia's Sovereign Wealth Fund

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ABSTRACT

Objective – The purpose of this study is to analyze the legal, ethical, and institutional dimensions of *Danantara*, Indonesia's newly launched Sovereign Wealth Fund (SWF), using a multidimensional legal theoretical framework. This paper examines how the establishment of *Danantara* aligns with or deviates from core legal theories, and explores its implications for governance and public legitimacy.

Methodology – This study employs a qualitative, normative legal research method using a doctrinal approach. Primary and secondary legal sources were analyzed, including government regulations, official reports, academic literature, and media commentaries. The analytical framework is built upon five legal theories: Legal Positivism, Natural Law, Rule of Law, Critical Legal Studies, and Good Governance Theory.

Findings – The findings show that while *Danantara* fulfills the requirements of formal legality, it suffers from a lack of societal legitimacy and accountability due to governance opacity, politically affiliated leadership, and absence of independent oversight. These issues highlight inconsistencies with ethical standards and democratic values promoted by the selected legal theories.

Novelty – This paper provides a unique comparative analysis of *Danantara* by integrating five major legal theories into a single analytical framework—an approach rarely applied to sovereign wealth funds. It contributes to legal scholarship by revealing how formal legal instruments may reproduce structural inequality and democratic deficits if not grounded in ethical and participatory principles.

Keywords: *Danantara, legal theory, sovereign wealth fund, rule of law, good governance*

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I. INTRODUCTION

Danantara, short for *Daya Anagata Nusantara*, is Indonesia's Sovereign Wealth Fund (SWF), officially launched on February 24, 2025 (Office of Assistant to Deputy Cabinet Secretary for State Documents, 2025; Shira, 2025). It was established as a state investment body grounded in the principles of professionalism, transparency, and sustainability. The name itself holds philosophical significance: “*Daya*” means energy, “*Anagata*” refers to the future, and “*Nusantara*” symbolizes the Indonesian archipelago.



Thus, both symbolically and structurally, Danantara is envisioned to become a vital instrument for driving national economic growth through the strategic management of state assets and the enhancement of global competitiveness (Investor Relations Unit, 2025).

However, shortly after its launch, Danantara has faced sharp public scrutiny and various controversies, raising serious questions about its institutional legitimacy, governance standards, and ethical foundations (Bangsa & Noor, 2025; Strategic, 2024). Major concerns include issues of dual office holding, potential conflicts of interest, and the track records of key appointees—some of whom have been implicated in past legal scandals. These challenges have sparked public doubt regarding Danantara’s effectiveness and integrity, particularly in relation to the principles of Good Corporate Governance (GCG) and the ideals of the rule of law.

Nevertheless, it cannot be denied that Danantara carries significant strategic potential for Indonesia. The consolidation of state (Nik Mahmod, 2013) owned assets under a single managing entity is expected to improve efficiency, strengthen investment management structures, and unlock substantial opportunities for attracting foreign capital. From a national economic standpoint, Danantara is also expected to serve as a sustainable alternative financing mechanism for development projects, reducing overreliance on external debt.

Yet, these benefits are accompanied by systemic risks, including: Abuse of power due to the lack of independent oversight mechanisms, political interference in investment decision-making, and a decline in public and investor trust stemming from controversial leadership appointments.

In light of these dynamics, this paper seeks to explore both the positive and negative impacts of Danantara’s establishment and examine the issues through the lens of modern legal theories, including Legal Positivism, Natural Law Theory, Rule of Law Doctrine, Critical Legal Studies, and Good Governance Theory. This approach aims to provide a comprehensive understanding of Danantara’s place within Indonesia’s legal and political landscape and its long-term implications for institutional legal development and social justice.

II. LITERATURE REVIEW

Legal Theoretical Perspectives on Danantara

Theory of Legal Positivism

According to Legal Positivism, the validity of law stems from its source rather than its moral content (Zalta et al., 2019; Gadjong, 2011; Hart, 2017). The legal establishment of Danantara through state instruments and executive order makes it formally valid. However, Hart also emphasizes the importance of the “internal point of view”—whether those subject to the law genuinely accept and operate under it as binding.

If the public perceives Danantara’s leadership as illegitimate due to past corruption cases or political conflicts of interest, it undermines public acceptance, even if legally valid. This gap between legal form and societal legitimacy may lead to resistance or mistrust.

Nature of Law Theory

Natural Law theory posits that laws must align with moral values and the common good (*Natural Law Theory: A Philosophical and Theological Divide Between Believers in Objective Moral Order and Skeptics*, 2024; Quddus & Khong, 2023; Shea, 2024; Zalta, Nodelman, Allen, & Lawrence, 2019). Based on the definition, although Danantara was created legally, the moral question remains: Is it just to appoint leaders with tainted reputations? Does the structure promote common good, or is it a vehicle for elite control?



Under Natural Law, the law's validity is questioned if it violates public morality, transparency, or justice, which are necessary to promote the "flourishing" of the community (as per Finnis' "basic goods").

Rule of Law Doctrine (A.V. Dicey)

Dicey's principles: Supremacy of law (no one above the law), Equality before the law, and Constitutional principles (Teacher, 2021; Wijayawati, 2023). Rangkap jabatan (dual role) of a government minister as CEO of Danantara challenges separation of powers and raises questions about the equality of citizens before the law. If Danantara's leaders are immune from scrutiny, it violates the Rule of Law. Moreover, public perception that Danantara's leaders are politically connected or protected creates an image of a dual legal standard, contradicting Dicey's idea of legal uniformity.

Critical Legal Studies (CLS)

CLS argues that law is not neutral, but rather a product of power relations and ideological control (Ali Safa'at & Istiqomah, 2022; Danardono, 2015; Safa'at, 2001; Rahmatullah, 2021). From a CLS lens, the creation of Danantara may be seen as a way for the political and economic elite to centralize control over national wealth. The selection of individuals with political proximity suggests a strategic legal construction that benefits the ruling class.

The legal structure of Danantara, although framed as a reform, might reproduce inequality by granting more power to a few while reducing public oversight. This reflects institutionalized dominance in the guise of national development.

Good Governance Theory in Legal Frameworks

Key principles: Transparency, Accountability, Participation, Responsiveness, and Rule of Law (Arsad, 2023; Johnston, 2006; Nik Mahmod, 2013; Sheng, 2000). While Danantara promotes itself as a transparent, globally competitive investment platform, the lack of independent oversight, closed appointments, and public skepticism over its officials' integrity contradict the theory of Good Governance. Because without public access to reports, independent auditing, and parliamentary oversight, Danantara risks becoming opaque and unaccountable, potentially harming democratic values in the long run.

III. METHODOLOGY

The subjects in this study were social media users and e-commerce platforms who follow micro influencers, brand ambassadors or are included in brand communities. The object of this study is user behavior in purchasing luxury brand products if influenced by micro influencers, brand ambassadors or brand communities.

This study adopts a qualitative, normative legal research approach to analyze the establishment and implications of Danantara (Daya Anagata Nusantara), Indonesia's Sovereign Wealth Fund, from the perspective of political law and modern legal theories. The focus is on understanding how Danantara fits within the broader context of Indonesia's legal system, governance structures, and political economy.

Research Type and Design

The research is doctrinal in nature and applies a conceptual and theoretical framework grounded in legal philosophy and governance principles. It involves the systematic examination of primary and secondary legal materials, including: Statutory regulations governing sovereign wealth funds and state investment mechanisms; Official government documents and press releases relating to Danantara; News



reports, expert commentary, and critical reviews from credible sources; and Theoretical literature on legal positivism, natural law, rule of law, critical legal studies, and good governance

This research does not analyze primary data such as stakeholder interviews, which could provide insight into institutional practices. Further research might employ empirical legal studies or mixed methods to capture public perception and bureaucratic behavior.

Sources of Data

This study draws upon the following data types: First, Primary Legal Sources: Government decrees and regulations concerning the formation and operation of Danantara, as well as constitutional principles relevant to public finance and good governance; Second, Secondary Legal Sources: Academic journal articles, policy papers, opinion editorials, and institutional analyses published by universities, think tanks, and media organizations.

Theoretical Frameworks: Foundational texts and interpretations of major legal theories, including: H.L.A. Hart (Legal Positivism), St. Thomas Aquinas and John Finnis (Natural Law Theory), A.V. Dicey (Rule of Law Doctrine), Critical Legal Studies Movement (CLS), UNDP Principles of Good Governance. These theoretical lenses are used to interpret both the intent behind the formation of Danantara and the risks and criticisms it has faced since its launch.

Analytical Framework

The analysis is conducted in two stages: Descriptive Analysis and Theoretical-Reflective Analysis. Descriptive Analysis, used to outline the structural characteristics, stated goals, and legal status of Danantara based on official sources. Theoretical-Reflective Analysis, where the case of Danantara is critically assessed using selected legal theories to evaluate its legitimacy, ethical foundations, and governance challenges.

This approach enables a multidimensional assessment that combines the following indicators: Legal validity (is it legally established?), Moral justification (is it just and fair?), Democratic accountability (is it consistent with public interest and the rule of law?), and institutional critique (does it reproduce or resist elite domination?).

IV. RESULTS AND DISCUSSION

This section synthesizes key findings based on doctrinal and normative analysis and interprets them through the five selected legal theories. It explores Danantara's establishment as both a legal construct and a political phenomenon, highlighting its practical implications and theoretical tensions.

Findings

The doctrinal analysis of legal documents, media reports, and theoretical sources yields the following findings:

Formal Legal Validity

Danantara was established through executive action and state regulation, satisfying the criteria for legal validity under Indonesian law. It was promoted as a mechanism for state wealth management and economic development.



Ethical and Legitimacy Concerns

Appointments of individuals with prior controversies, including dual office-holding, sparked public criticism. These actions have triggered concerns over conflicts of interest and undermined the ethical foundation of the institution.

Deficit of Accountability and Oversight

The absence of independent supervisory mechanisms and a lack of regular public reporting and third-party audits compromise transparency and accountability.

Governance and Rule of Law Issues

Danantara's governance structure raises significant questions regarding compliance with good governance principles and the rule of law, especially in relation to the equal application of law and prevention of elite capture.

Strategic Potential Amidst Institutional Risk

Despite criticisms, Danantara retains strategic potential to serve as a long-term financing mechanism for national development and global investment. However, this potential is compromised by structural opacity and public distrust.

Discussion

Legal Positivism

Legal Positivism asserts that the legitimacy of law stems from its source rather than its morality (Hart, 2017; Gadjong, 2011). From this perspective, Danantara is valid because it was created through formal legal procedures. However, Hart's "internal point of view" emphasizes societal recognition of law's legitimacy. Given the public resistance and ethical concerns surrounding leadership appointments, there is a disjunction between legal validity and social acceptance. This gap risks weakening Danantara's normative authority.

Natural Law Theory

Natural Law Theory emphasizes the alignment of law with moral principles and the common good (Quddus & Khong, 2023; Shea, 2024). Although Danantara's formation satisfies legal criteria, the moral legitimacy of its leadership is questioned. The concentration of power among politically affiliated individuals and limited public participation runs contrary to the natural law ideals of justice and communal well-being. According to Finnis' framework, this undermines essential "basic goods," particularly justice and participation.

Rule of Law Doctrine

A.V. Dicey's Rule of Law Doctrine upholds legal supremacy, equality before the law, and constitutionalism (Wijayawati, 2023; Teacher, 2021). Danantara's practice of allowing high-ranking officials to hold dual roles contradicts the separation of powers. Moreover, the perception that politically connected individuals are beyond scrutiny erodes the principle of legal equality. These circumstances foster a dual legal standard, where accountability is selectively applied.

Critical Legal Studies (CLS)

CLS critiques law as a reflection of dominant power structures (Safa'at & Istiqomah, 2022; Danardono, 2015). The creation of Danantara, with limited civil society involvement and the concentration



of wealth management in politically aligned hands, supports this critique. Although presented as a national development tool, Danantara structurally enables elite consolidation of power and resources, reducing participatory democracy and public control over state assets.

Good Governance Theory

Good governance requires transparency, accountability, responsiveness, and public participation (Johnston, 2006; Nik Mahmud, 2013). While Danantara claims to embody these principles, in practice it lacks institutional safeguards such as third-party audits, legislative oversight, and open data access. The result is a credibility paradox: a body that promotes professionalism yet operates within an opaque and exclusionary framework.

Synthesis

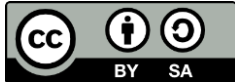
Across all legal theories, the findings reveal a consistent pattern: a legal entity with strategic ambitions but foundational legitimacy gaps. Danantara exemplifies the modern challenge of aligning formal legal creation with democratic expectations and ethical governance. To close this gap, institutional reforms must ensure alignment with the principles of rule of law, natural justice, and participatory governance. Without these, Danantara risks becoming a technocratic tool of elite consolidation, rather than a public instrument of sustainable development.

V. CONCLUSION

This study critically assessed Danantara, Indonesia’s newly launched Sovereign Wealth Fund (SWF), through five prominent legal theories—Legal Positivism, Natural Law, Rule of Law Doctrine, Critical Legal Studies, and Good Governance Theory. The analysis reveals that while Danantara fulfills procedural legal requirements and exhibits strategic value in the realm of national asset management, it suffers from deep legitimacy challenges due to governance inconsistencies, ethical controversies, and limited public oversight.

Theory	Key Legal Concern	Assessment of Danantara
Legal Positivism	Validity from formal procedures	Valid on paper, but may lack societal legitimacy due to ethical concerns
Natural Law	Law must serve justice and common good	Faces moral legitimacy crisis due to appointments and power consolidation
Rule of Law	Equality, transparency, no privilege under the law	Risk of undermining rule of law through elite-driven control and unaccountable roles
Critical Legal Studies	Law as a tool of power	Reinforces elite dominance and reduces participatory oversight
Good Governance Theory	Transparency, accountability	Lacks mechanisms for public scrutiny and independent checks

From the lens of Legal Positivism, Danantara is formally valid but lacks full public acceptance, undermining its normative legitimacy. Natural Law Theory highlights moral deficiencies in leadership selection and institutional design, raising concerns about the fund’s alignment with the common good. Under the Rule of Law Doctrine, Danantara risks violating constitutional principles and legal equality due to dual roles and the perception of political immunity. Critical Legal Studies suggests that Danantara reinforces elite control and marginalizes public participation, thereby reproducing systemic inequality



under the guise of reform. Finally, Good Governance Theory critiques its opacity, lack of accountability mechanisms, and insufficient responsiveness to democratic principles.

In summary, Danantara stands at a crossroads: it has the legal structure and economic mandate to support national development, yet its credibility and effectiveness are undermined by ethical, institutional, and participatory deficits. Without reform, it may further entrench legal dualism and public distrust, rather than promoting equitable governance and sustainable investment.

Suggestions for Reform Based on Legal Principles

This research suggests that in able to ensure a good governance practice by reflecting on the descriptive analysis and the theoretical framework analysis, the following are to be considered seriously: Establish an independent supervisory board appointed by parliament or a non-partisan entity, disallow dual role to preserve separation of roles and eliminate conflicts of interest, ensure public reporting and third-party audits to maintain trust and transparency, promote public participation and expert oversight in the appointment of key officials.

Limitations

This study does not conduct empirical interviews or field research; it is based entirely on desk research and legal-theoretical interpretation. While this allows for a deep conceptual analysis, it may not capture real-time developments or perceptions from inside the institution unless reflected in accessible public commentary.

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