

Business Dispute Resolution and Its Implications for Investor Protection in Corporate Law

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Abstract

In the business world, disputes between the parties involved are often unavoidable. Business disputes can arise due to various factors, such as differences in contract interpretation, unfair business competition, breach of agreement, or actions that are detrimental to one of the parties. Resolving business disputes is an important aspect in maintaining economic stability and business continuity, especially in the context of company law which regulates the rights and obligations of business actors, including the protection of investors. The research method used in this research is descriptive analysis, because it is based on the provisions governing business dispute resolution and its implications for investor protection in company law. The conclusion of this research is that resolving business disputes in the context of company law has a significant impact on investor protection. An effective resolution process, whether through litigation or alternative channels such as arbitration or mediation, can provide a sense of security for investors because they know there is a legal mechanism that can ensure their rights are protected in the event of a dispute. . Therefore, it is important to ensure that there are regulations that support fast and efficient dispute resolution as well as competent resolution institutions to protect investors' interests, both at the national and international levels.

Keywords: Disputes, Investors, Companies.

Abstrak

Dalam dunia bisnis, sengketa antara pihak-pihak yang terlibat sering kali tidak dapat dihindari. Sengketa bisnis dapat timbul akibat berbagai faktor, seperti perbedaan interpretasi kontrak, persaingan usaha yang tidak sehat, pelanggaran kesepakatan, atau tindakan yang merugikan salah satu pihak. Penyelesaian sengketa bisnis menjadi aspek penting dalam menjaga stabilitas ekonomi dan kelangsungan usaha, terutama dalam konteks hukum perusahaan yang mengatur hak dan kewajiban para pelaku usaha, termasuk perlindungan terhadap investor. Metode penelitian yang digunakan dalam penelitian ini adalah deskriptif analisis, karena berdasarkan pada ketentuan yang mengatur mengenai Penyelesaian sengketa bisnis dan implikasinya terhadap perlindungan investor dalam hukum Perusahaan. Kesimpulan dari penelitian ini yaitu, Penyelesaian sengketa bisnis dalam konteks hukum perusahaan memiliki dampak yang signifikan terhadap perlindungan investor. Proses penyelesaian yang efektif, baik melalui jalur litigasi maupun alternatif seperti arbitrase atau mediasi, dapat memberikan rasa aman bagi investor karena mereka tahu ada mekanisme hukum yang dapat memastikan hak mereka terlindungi dalam hal terjadi perselisihan. . Oleh karena itu, penting untuk memastikan adanya regulasi yang mendukung penyelesaian sengketa yang cepat dan efisien serta lembaga penyelesaian yang kompeten untuk melindungi kepentingan investor, baik di tingkat nasional maupun internasional.

Kata Kunci: Sengketa, Investor, Perusahaan.

INTRODUCTION

In the business world, disputes between the parties involved are often unavoidable. Business disputes can arise due to various factors, such as differences in contract interpretations, unfair business competition, breach of agreement, or actions that are detrimental to one of the parties. Business dispute resolution is an important aspect in maintaining economic stability and business continuity, especially in the context of corporate law that regulates the rights and obligations of business actors, including the protection of investors. The business world now feels limitless, allowing anyone to strive and work anywhere without barriers, as long as they are able to compete competitively. In these conditions, disputes or disputes often arise. Disputes themselves are an inseparable part of human life, so their existence is inevitable.¹ Business disputes are civil conflicts that are common in the business world, both at the national and international levels. Generally, this dispute arises due to differences of opinion in the implementation of the content of business contracts. Therefore, business actors need to understand the importance of business contracts to avoid losses when facing disputes.²

Investors have a very vital role in the business ecosystem and economic growth of a country. In corporate law, the protection of investors is a major issue because they often face the risk of uncertainty due to business disputes. Without an effective settlement mechanism, investors can incur losses that negatively impact the investment climate. Therefore, a legal system is needed that is able to provide legal certainty and justice for investors in dealing with various potential business disputes. Business dispute resolution can be done through various mechanisms, both through litigation in court and non-litigation through alternative channels such as arbitration, mediation, and negotiation. Each method has its own advantages and disadvantages. Courts give judgments that are binding and have permanent legal force, but the process is often time-consuming and expensive. Meanwhile, the non-litigation method offers a more flexible and quick solution, although its effectiveness depends on the willingness of the parties to reach an agreement. Dispute resolution through the courts tends to be adversarial, resulting in a *win-lose solution* approach, where one side wins while the other loses. As a result, the losing party is dissatisfied, which has the potential to cause new problems between the parties to the dispute. Additionally, the judicial process is often time-consuming, high-cost, and tends to be convoluted. In contrast, out-of-court dispute resolution prioritizes mutual agreement through deliberation, resulting in a *win-win* solution that is acceptable to both parties. In addition to being more flexible and efficient, this method also guarantees the confidentiality of disputes, since there is no obligation to hold open hearings that can be made public. This process is known as *Alternative Dispute Resolution* (ADR).³

In the context of investor protection, the choice of dispute resolution mechanism is crucial. Investors tend to choose legal systems that provide certainty and protection of their rights. Countries with an effective and fair dispute resolution system will be more attractive to investors, as they feel more secure in investing their capital. Conversely, if a country's legal system is unable to guarantee protection for investors, it can lower trust

¹ Meirina Nurlani, Alternative Dispute Resolution in Business Disputes in Indonesia, *Journal of Legal Certainty and Justice – FHUNISTI*, Vol. 3, 2021, p.26

² Iswi Hariyani, Cita Yustisia Serfiani, and Serfianto D. Purnomo, Business Dispute Resolution, PT Gramedia Pustaka Utama Publisher, Jakarta, 2018, p.1

³ Firda Ainun Fadillah and Saskia Amalia Putri, Alternative Dispute Resolution and Arbitration, *Journal of Applied Management Science – M.AkUMB*, Vol.2, 2021, p.744

and hinder investment flows. Regulations governing the settlement of business disputes in various countries often undergo changes to adapt to global economic dynamics. Some countries have adopted the principles of international law in their dispute resolution systems to make them more competitive in the eyes of foreign investors. In corporate law, clear regulations regarding dispute resolution are essential to provide a strong legal basis for investors to file lawsuits or resolve conflicts that arise. In Indonesia, regulations regarding alternative dispute resolution outside the court are regulated in Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution. This law was drafted with one of the considerations that civil disputes can be resolved through non-litigation channels or out-of-court settlement mechanisms.⁴

The role of arbitration institutions and business-specific courts is also increasing in resolving investment-related disputes. International arbitration, for example, is a top choice for foreign investors due to its independent nature and its decisions that can be directly enforced across countries. In addition, many countries have established special courts that handle business and investment cases to ensure that dispute resolution is carried out by judges who have expertise in this area. Although various mechanisms have been developed, challenges in resolving business disputes still remain. Some of the obstacles that are often faced include an imbalance in the bargaining position between investors and companies, limited access to effective dispute resolution mechanisms, and uncertainty in the implementation of decisions. Therefore, continuous improvement in regulations and business dispute resolution policies is a must. By including an arbitration clause, the parties agree that in the event of a dispute, its resolution will be done through predetermined arbitration, not through the common court. This makes arbitration the only institution authorized to handle such disputes. In addition, the parties must also comply with the applicable rules of their chosen arbitration institution. For example, if they choose the Indonesian National Arbitration Board (BANI) as the dispute resolution forum, then they are obliged to follow the procedures set by BANI.⁵

In addition to legal aspects, social and economic factors also affect the effectiveness of business dispute resolution. In some cases, government intervention is necessary to ensure that investors' rights remain protected without sacrificing national interests. On the other hand, transparency and accountability in the dispute resolution process are very necessary so that investors have full confidence in the applicable legal system. Investor protection in corporate law is not only concerned with fair dispute resolution, but also includes prevention against potential conflicts. Clear regulations regarding investor rights and obligations, corporate obligations to shareholders, and effective oversight mechanisms can help minimize business disputes before they occur. Thus, company law not only serves as a dispute resolution tool, but also as a preventive instrument that protects all parties involved. Legal certainty in protecting investors as consumers is very important. Initially, investment-related regulations focused more on the development and protection of the law in general. The development of investment in Indonesia is also influenced by global dynamics. In this case, the role of the Financial Services Authority (OJK) is increasingly crucial in terms of regulation, supervision, and rule enforcement.

⁴ Hana Nabilah Khairunnisa, Mediation as an Alternative to Business Dispute Resolution in the Perspective of Laws and Regulations in Indonesia, *Hangoluan Law Review Journal*, Vol.2, 2023, p.138

⁵ Cut Memi, Dispute Resolution of Absolute Competence Between Arbitration and Courts, *Judicial Journal – FHUNTAR*, Vol.10, 2017, p.116

The existence of the OJK is based on its duty to foster and supervise investment activities.⁶

In practice, countries with transparent and fair dispute resolution systems tend to be more attractive to investors. This shows that investor protection has a direct impact on a country's investment climate. With legal certainty, investors will be more confident in investing their capital, which ultimately contributes to national economic growth. In addition, globalization has encouraged legal harmonization in the settlement of business disputes. Many countries are starting to adjust their domestic regulations to international standards in order to compete in attracting foreign investment. Mechanisms such as the New York Convention on the Recognition and Enforcement of Foreign Arbitral Awards are one of the widely used legal instruments in the context of transnational business dispute resolution. In general, effective business dispute resolution not only impacts investor protection, but also contributes to economic stability and overall legal certainty. With a clear and reliable legal system, the relationship between business people, shareholders, and investors can be well maintained, which ultimately creates a conducive investment environment. In this study, we will discuss further the various business dispute resolution mechanisms available, the challenges faced in their implementation, and the legal implications for investor protection. Through an in-depth analysis, it is hoped that this research can provide comprehensive insight into how corporate law plays a role in resolving business disputes and protecting investors in the midst of the dynamics of the ever-evolving business world.

RESEARCH METHODS

The research method used in this study is descriptive analysis, because it is based on the provisions that govern business dispute resolution and its implications for investor protection in corporate law. The data collection technique used is by using literature studies obtained from secondary data and tertiary data, such as articles. The type of approach in this study uses a conceptual approach by looking at the phenomena that occur in relation to the applicable legal theory, namely business dispute resolution and investor protection.

RESULTS AND DISCUSSION

Dispute Resolution Mechanism in Company Law

In the business world, disputes are inevitable. Companies operating in an economic system often face a variety of potential conflicts, either among shareholders, with business partners, or with external parties such as governments or regulators. Therefore, company law has an important role in regulating dispute resolution mechanisms so that they can be resolved fairly and effectively. Companies or employers are one of the important elements in the country's economy. In it, there is an industrial relationship between entrepreneurs and workers. However, the relationship does not always run harmoniously, so disputes can arise. Conflicts in employment relations between employers and workers are known as industrial relations disputes. Based on Article 2 of Law No. 2 of 2004 concerning the Settlement of Industrial Relations Disputes (PPHI Law), there are four types of industrial relations disputes, namely rights disputes, conflicts

⁶ Kadek Desy Pramita, and Kadek Diva Hendrayana, Legal Protection of Investors as Consumers in Online Investment, *Pacta Sunt Servanda Journal* – UNDIKSHA, Vol.2, 2021, p.3

of interest, termination of employment disputes (PHK), and disputes between trade unions/labor unions in a company.⁷

The dispute resolution mechanism in corporate law is very important to ensure the continuity and stability of the company's operations. Disputes that arise in the business world can occur for various reasons, ranging from contract disputes, patent infringement, to internal management issues of the company. Without a clear mechanism to resolve these disputes, companies could face huge losses, both financially and reputationally. Therefore, companies need to have clear rules and efficient procedures in resolving disputes that arise. Basically, civil disputes, such as those related to business or commerce, can be resolved through two channels, namely litigation (in court) and non-litigation (out of court). The parties involved in the agreement are usually fully bound and tend to choose to resolve their disputes through a third party outside of court, such as arbitration or other alternative methods that are neutral and non-partisan in nature. Arbitration is part of Alternative Dispute Resolution (ADR), which includes a variety of ways of resolving disputes outside of the formal judicial system. In the context of ADR, arbitration is internationally recognized as one of the effective methods of resolving disputes.⁸

The principles of dispute resolution in corporate law refer to the approach used to resolve problems that arise between parties involved in the company's activities, such as between shareholders, management, or even between the company and third parties. One of the key principles is the peaceful or alternative dispute resolution (ADR), which focuses on mediation and arbitration as a way to avoid longer and high-cost formal judicial processes. ADR, known in Indonesian as APS, is an institution that handles the resolution of disputes or differences of opinion through procedures agreed upon by the parties. This settlement is carried out out of court using methods such as consultation, negotiation, mediation, mediation is also a dispute resolution route that is increasingly popular among companies. Mediation is a dispute resolution process in which a neutral third party, i.e. a mediator, helps the disputing parties to reach a mutual agreement. Mediation has the advantage of being more focused on a peaceful and sustainable settlement, and allows the parties to maintain good relations. The mediation process is also faster and the costs incurred are relatively lower compared to litigation or arbitration. However, mediation only results in an agreement if both parties agree, and is not always legally binding, conciliation, Dispute resolution through conciliation is also often used in the business world, especially in disputes involving parties who have a long-term relationship. Conciliation is similar to mediation, but a third party acting as a conciliator can provide advice or recommendations related to dispute resolution. Conciliation is more flexible and gives room for the parties involved to find a solution that works best for both parties. However, as with mediation, conciliation can also only be successful if there is a willingness on both sides to reach an agreement, and there is also an expert judgment, in accordance with the provisions listed in Article 1 of the AAPS Law.⁹ In addition, the principles of fairness and transparency are also important, which emphasize that every

⁷ Rai Mantili, The Concept of Resolving Industrial Relations Disputes Between Labor Unions and Companies through a Combined Process (Med-Arbitration), *Journal of Bina Mulia Hukum – FHUGM*, Vol.6, 2021, p.48

⁸ Dwi Handayani, and Yoga, Business Dispute Resolution from an Arbitration Perspective, *Semarang Law Review Journal – FHUMI*, Vol.5, 2024, p.129

⁹ F. Puspita Sari, Puguh Aji Hari Setiawan, and Bernadete Nurmawati, Alternative Dispute Resolution, CV Mega Press Nusantara Publisher, Sumedang, 2024, p.4

party must have equal access to information and fair legal process. Dispute resolution must pay attention to the sustainability of the relationship between the parties to the dispute, considering that many disputes in the business world can involve long-term partnerships. In some cases, settlement also involves the company's internal mechanisms, such as through the company's board of directors or ethics committee, which has the authority to resolve disputes internally before involving outside parties.

The success of dispute resolution is influenced by various interrelated factors. One of the key factors is effective communication between the parties involved. With open communication, both directly and through mediators, misunderstandings can be minimized and better solutions can be found. In addition, understanding the applicable laws is also very important. The parties involved need to understand their rights and obligations under existing regulations, as well as the possible legal consequences of the decisions taken. Another factor that is no less important is the goodwill of both sides to resolve the dispute peacefully, not by continuing further resistance or conflict. Neutral third-party support, such as a mediator or arbitrator, can also help guide the dispute resolution process in a fair and objective manner. Finally, external factors such as the social, economic, or political environment that affect the perception and attitude of the parties towards dispute resolution also need to be considered, as these conditions can accelerate or even hinder the process. All of these factors must work synergistically so that dispute resolution can be achieved successfully and for the benefit of all parties. Alternative approaches in dispute resolution, such as mediation, have been proven. It is effective in a wide range of legal contexts and is becoming an increasingly popular choice. This method offers a variety of advantages, including flexibility in the process, lower costs, as well as the ability to achieve a satisfactory outcome for all parties involved. In addition, alternative approaches also allow for the creation of more creative solutions that are oriented to the needs and interests of the parties to the dispute, in contrast to the litigation approach that tends to be win-lose.¹⁰

In some cases, dispute resolution in corporate law can also be done through a special court system set up to handle business disputes. For example, in some countries there are commercial courts that have special jurisdiction to deal with disputes related to business and corporate affairs. These courts are designed to provide a faster and more efficient process in handling cases involving corporate matters, business agreements, or disputes between shareholders and the company's management. One of the factors that affect the selection of dispute resolution pathways in company law is the type of dispute that occurs. If the dispute involves complex claims and involves multiple parties, such as in the case of copyright infringement or a dispute between shareholders, then settlement through court or arbitration may be more appropriate. On the other hand, if the dispute is related to simpler matters, such as minor contract violations or internal company issues, then mediation or direct negotiations may be a more efficient option. When choosing a dispute resolution mechanism, companies also need to consider the costs that will be incurred as well as the time it takes to resolve the dispute. Litigation, although formally regulated by state law, often requires high costs and a long time to reach a final decision. On the other hand, dispute resolution mechanisms such as arbitration and mediation are more flexible and faster, although they sometimes do not always provide legally binding decisions as litigation does.

¹⁰ Imam Syahrani and Tuti Widyaningrum, Increasing the Effectiveness of State Administrative Dispute Resolution Through Alternative Approaches, *Journal of Law – FHUNTAG*, Vol.23, 2024, p.82

A good dispute resolution system must be able to provide guarantees of protection to investors and other stakeholders. If the dispute resolution mechanism is well-designed, then investors will feel safer because they know that if something goes wrong, there is a clear and efficient way to resolve it. This is crucial to maintain investor confidence and ensure that the company remains stable and able to operate smoothly. Effective dispute resolution also requires clear arrangements regarding who is authorized to handle the dispute. In this case, it is important for the company to appoint a mediator, arbitrator, or dispute resolution agency who has high experience and credibility. This will help ensure that the decisions taken are fair and acceptable to all parties involved. The protection of investors' rights is highly dependent on the dispute resolution mechanisms implemented within the company. If dispute resolution is done openly and transparently, then investors will feel more confident that their rights will not be violated. On the other hand, if dispute resolution is done in an unclear or unfair manner, then investors can feel aggrieved and lose trust in the company. The development of a more efficient dispute resolution system can also be done by involving technology. For example, many dispute resolution institutions are now starting to utilize digital platforms to facilitate online arbitration or mediation. With this technology, the dispute resolution process becomes faster, cheaper, and more accessible to all parties involved, including investors who may be in remote locations. In addition, transparency in the dispute resolution process is also very important. All parties involved must have equal access to information relating to the dispute and its resolution process. With this transparency, it is hoped that the parties involved in the dispute can feel more appreciated and the decisions taken can be well received by all parties. In some cases, companies can also avoid disputes by having a good risk management system and implementing transparent corporate governance. With a good system in place, the potential for disputes can be minimized or even avoided altogether.

Therefore, companies need to ensure that they not only focus on resolving disputes after they occur, but also trying to prevent disputes from happening in the first place. Good dispute resolution in corporate law can have a positive impact not only on companies and investors, but also on the economy as a whole. When companies can resolve disputes in an efficient and fair manner, public trust in the legal system and the business world will increase. This in turn will support more stable and sustainable economic growth. Proper dispute resolution will also strengthen the investment climate, as investors will be more confident that if a problem occurs, there is a clear and reliable mechanism to resolve it. In this case, companies that have a good dispute resolution system will be more appreciated by investors, which will strengthen the company's position in the market and increase its competitiveness. As such, it is important for companies to have a variety of dispute resolution avenues to choose from according to the type and complexity of the dispute at hand. A fair and efficient dispute resolution process will increase investor confidence and ensure the long-term sustainability of the company.

Implications of Dispute Resolution on Investor Protection

Investment has a crucial role for the state because the source of a country's income comes from investment activities. However, in the implementation of investments, both bilateral and multilateral, the recipient country (known as the "host-state") must still pay attention to the interests of investors. According to the Explanation of Article 2 of Law No. 25 of 2007 concerning Investment (UUPM), the implementation of investment can be carried out either directly or indirectly by capital owners. Direct investment is an

investment made by an investor who is physically present to run his business or establish a business entity, while indirect investment is made without the physical presence of the investor and the profit that is expected to be obtained in a short time, in the form of *capital gains*.¹¹

The implications of dispute resolution on investor protection are a very important topic in the world of capital markets and investments. Effective and fair dispute resolution can provide a sense of security for investors, so that they feel protected in every investment activity. In addition, a transparent and reliable dispute resolution system will also increase investor confidence in the market, which in turn can spur economic growth. First of all, in the context of the capital market, disputes between investors and other parties, such as companies listed on the stock exchange or even investment service providers, often occur. This kind of conflict can arise due to various things, such as information uncertainty, fraud, market manipulation, or violation of existing conditions. Prompt and efficient dispute resolution will ensure that investors' rights are protected, as well as provide clarity in resolving the dispute. In addition, the existence of a clear and structured dispute resolution mechanism will reduce the sense of uncertainty experienced by investors. When investors know that there is an accessible legal avenue to resolve disputes, they will feel more at ease in making investments. This is especially important because an unpredictable or dispute-ridden market can reduce investor interest in investing. In 2007, the Indonesian government responded to challenges and opportunities in the world of global investment by enacting Law Number 25 of 2007 concerning Investment (Investment Law). This law guarantees legal certainty, openness, and impartiality for every investor regardless of their origin, thus creating a stable and discrimination-free investment environment. Thus, the Investment Law becomes a comprehensive legal basis that regulates various aspects of investment in Indonesia, reduces risks, and increases investment volumes. Strong legal protection, transparency at every stage of investment, and the principle of non-discrimination are the key values embodied in this law.¹² In addition, the principle of openness is the main principle that provides legal protection for investors in the capital market. In the public offering process, the application of the principle of openness is realized through the issuance of prospectuses. The prospectus provides information on the condition of the issuer which is presented in the form of a summary of the results of the audit conducted by the capital market support profession (Article 64 paragraph (1) of Law Number 8 of 1995 concerning the Capital Market/UUPM).¹³

Dispute resolution has a very important role in increasing investor confidence because it provides assurance that any issues that may arise during investing will be resolved in a fair and transparent manner. When a country or company has an effective dispute resolution system, either through litigation or alternative channels such as mediation or arbitration, investors feel safer to invest their capital. This trust arises because they know that their rights will be protected and in the event of a dispute, they have a clear channel to seek justice without having to face uncertainty that can be

¹¹ Laura Natalia Sembiring, The Urgency of Bilateral Investment Agreements Between Indonesia and Other Countries with the Sengketa *Investor-State Dispute Settlement Clause*, *Jurnal Dharmasisya – FHUI*, Vol.1, 2021, p.1941

¹² Andanu Raditya, The Role of the Government of Indonesia to Improve Legal Protection for Foreign Investors Through the Clause of the Agreement on Investment Enhancement and Protection (P4M) between Indonesia and Singapore, *Journal of Law, Humanities, and Politics – FHUI*, Vol.4, 2024, P.569

¹³ Inda Rahadiyan and Plenary, The Urgency of Regulating the Principle of Openness in *Equity Crowdfunding* and Its Implications for Investor Protection, *Legal Journal*, Vol.29, 2022, p.270.

detrimental. With a trusted dispute resolution mechanism, investment risks become more predictable, which in turn will encourage more investments, both domestic and foreign. Additionally, efficient dispute resolution can create a more stable business environment, where agreements are respected, and justice is consistently upheld.

Good dispute resolution also serves to create a protection system that can reduce the possibility of unfair practices. When dispute resolution is carried out in a fair, transparent, and in accordance with the provisions of the law, the guilty party will receive appropriate sanctions. This will provide a deterrent effect for other parties who have the potential to violate investor rights. An effective dispute resolution system can also encourage the formation of a healthier and more sustainable market. With strict law enforcement and adequate protection for investors, the capital market will be more attractive to domestic and foreign investors. This can encourage greater investment flows, which will ultimately have a positive impact on the country's economy. Today, out-of-court dispute resolution, known as Alternative Dispute Resolution (ADR), is growing. Out-of-court dispute resolution here refers to methods of settlement other than litigation. Given the public's dissatisfaction with the judiciary, it is increasingly important to utilize ADR as one of the dispute resolution systems. ADR is a dispute resolution mechanism carried out out of court, which is considered more effective, efficient, fast, and cheaper, and provides benefits for both parties to the dispute (win-win solution).¹⁴

The effectiveness of a dispute resolution system is highly dependent on the system's ability to provide a fair, prompt, and reliable solution for all parties involved. An effective system must have clear, transparent, and easily accessible procedures for the parties to the dispute. In a legal context, this effectiveness is reflected in the system's ability to minimize the costs and time required in the dispute resolution process, without sacrificing the quality of the decisions taken. In addition, an effective system must also be supported by institutions that have high capabilities and integrity, and can carry out decisions consistently and firmly. The success of dispute resolution systems lies not only in the resolution of individual cases, but also in their impact on public trust and market stability. If the community or business people feel that disputes can be resolved fairly and without the influence of power or other interested parties, then an atmosphere conducive to economic growth and business progress will be formed. Therefore, the effectiveness of dispute resolution is not only seen from the final outcome, but also from the transparent process, its accessibility, and the ability of the system to support peace and justice as a whole.

The implications of dispute resolution on investor protection are also not only limited to disputes that occur between investors and companies or issuers. Dispute resolution involving third parties, such as regulators or financial institutions, can also have an effect on the level of protection afforded to investors. When regulators or related agencies can resolve disputes fairly and efficiently, they also play an important role in maintaining the balance of the market and the rights of investors. The success of dispute resolution is highly dependent on the quality of the legal and regulatory systems in a country. A country with a strong and trustworthy legal system will find it easier to resolve disputes fairly. This will increase investor confidence, both local and international, in the country's capital market. On the other hand, if the legal system in a country is weak or vulnerable to corrupt practices, then this can cause investors to feel insecure and reluctant to invest.

¹⁴ Suyud Margono, *ADR and Arbitration*, GhaliaIndonesia Publisher, Jakarta, 2000, p. 14

In Article 4 of Law Number 8 of 1995 concerning the Capital Market, it is stated that "Guidance, regulation, and supervision as referred to in Article 3 are carried out by Bapepam with the aim of creating regular, reasonable, and efficient Capital Market activities, as well as protecting the interests of investors and the community." This Capital Market Law stipulates that Bapepam-LK is the authority authority over the capital market. Bapepam-LK is under the Ministry of Finance to coach, regulate, and supervise the capital market, and is responsible to the Minister of Finance. Bapepam-LK has the authority to provide legal protection for the capital market both preventively and repressively. In this context, Bapepam-LK is an institution that is expected to restore public confidence in the capital market which has declined after the financial crisis in several Asian countries. This financial crisis is also one of the factors that prompted the establishment of the OJK as a financial services supervisory institution in Indonesia. To protect investors, issuers who will conduct a Public Offering are obliged to provide investors with the opportunity to read the prospectus related to the securities issued, both before and during the order. After that, Bapepam-LK will check the completeness and clarity of the issuer's documents to ensure that the principle of capital market openness is met. This is important, because a prospectus is the first step for investors to consider whether or not to buy a security¹⁵. It is also important to note that investors have the right to be clearly and transparently informed regarding the existing dispute resolution mechanisms. Many investors are unaware of the procedures or paths they can take in the event of a dispute, even though this knowledge is essential for them to take appropriate action. Therefore, education to investors regarding their rights and dispute resolution mechanisms is indispensable to ensure effective protection.

The implications for capital market regulation are closely related to efforts to create a healthy, transparent, and fair investment climate, as well as ensuring protection for all parties involved, both investors and companies. Good capital market regulation will affect how dispute resolution is carried out in the realm of the capital market. If any disputes arise, such as alleged market manipulation, material information breaches, or conflicts between shareholders, the existence of a clear and firm regulatory system will ensure that the dispute resolution mechanism runs efficiently, fairly, and accountably. In addition, effective capital market regulation will create a legal framework that encourages investors to invest in the capital market, as they feel protected by clear and fair rules. For example, rules regarding transparent disclosure of information, procedures for resolving disputes between conflicting parties, and protection of minority rights within a company, all of which are directly related to the stability and credibility of the capital market. Without good regulation, the potential for abuse or injustice in dispute resolution can lower investor confidence, which can ultimately affect the liquidity and attractiveness of the capital market itself. On the other hand, capital market regulations that are not responsive to market developments or are not strong enough to handle disputes can create legal uncertainty, which has an impact on a decline in market activity. This can cause investors to choose to place their funds in markets that are considered safer and more stable. Therefore, the reform and adjustment of capital market regulations is essential in order to face new challenges, such as technological developments, increasingly connected global markets, and the need to improve investor protection around the world.

¹⁵ Vidya Noor Rachmadini, Legal Protection for Investors in the Capital Market According to the Capital Market Law and the Financial Services Authority Act, *Pena Justisia Journal – FHUNPAD*, Vol.18, 2019, p.92

Dispute resolution institutions play a crucial role in creating a fair and efficient legal environment, especially in the business and investment sectors. These institutions, both formal such as courts and more alternative ones such as arbitration and mediation, serve as channels for parties involved in disputes to resolve their issues without having to go through lengthy litigation and high costs. Its primary role is to ensure that disputes are resolved in a manner that is fair, transparent, and beneficial to all parties. In addition, dispute resolution agencies can also help maintain market stability by providing legal clarity and reducing uncertainty that may arise due to unresolved conflicts. With this institution, those who feel aggrieved can obtain compensation or settlement in accordance with the principles of justice, while those who are suspected of violating are also given the opportunity to provide a defense. This is crucial for building trust in various sectors, especially in the capital markets and business sectors, where investors and business actors want to feel confident that their rights are protected and that any disputes will be resolved effectively and efficiently. The successful resolution of a dispute can also have a positive impact on the reputation of the institution that handles the dispute, be it a court, a mediation institution, or a market authority. If investors see that these institutions work professionally, transparently, and fairly, this will increase their confidence in the existing legal and regulatory systems, as well as create a positive image for the market.

It is also important to note that good dispute resolution is not only about suing for rights that have been violated, but also involves efforts to prevent future disputes from occurring. Through dispute resolution that prioritizes peaceful and rehabilitative resolution, the parties involved can learn from the experience and seek to prevent the recurrence of the same problem. Additionally, proper dispute resolution will increase awareness of the importance of compliance with existing regulations. For investors, this is a signal that the capital market operates within a clear legal framework and prioritizes the protection of their interests. Therefore, any decision taken in the dispute resolution process will have long-term implications for the image and stability of the market itself. Thus, it can be concluded that the implications of dispute resolution on investor protection are enormous. Proper and effective dispute resolution will not only provide a sense of security for investors, but can also increase confidence in the market, encourage economic growth, and create a more stable and healthy market. Therefore, it is important for countries and relevant institutions to continue to strive to develop dispute resolution mechanisms that can ensure the best possible protection of investors.

CONCLUSION

The resolution of business disputes in the context of corporate law has a significant impact on investor protection. An effective settlement process, whether through litigation or alternative channels such as arbitration or mediation, can provide investors with a sense of security because they know there are legal mechanisms in place that can ensure their rights are protected in the event of a dispute. This, in turn, can increase investor confidence in the market and the business sectors they are engaged in. If dispute resolution is transparent, fair, and efficient, investors feel more confident to make investments. Conversely, if the dispute resolution mechanism is weak, non-transparent, or too slow and expensive, this can hurt investors, reduce trust, and even hinder investment flow. Therefore, it is important to ensure that regulations are in place that support prompt and efficient dispute resolution and competent resolution bodies to protect the interests of investors, both at the national and international levels. In addition, fair and adequate dispute resolution can also improve overall market stability, ultimately having a positive impact on the economy and investment climate. Disputes that are not resolved

properly can cause legal uncertainty that is detrimental to both companies and investors. Therefore, an efficient and fair dispute resolution system, whether through the courts or alternative dispute resolution such as arbitration and mediation, is essential to maintain market stability and protect the interests of investors. In the context of corporate law, dispute resolution also serves to ensure that investors' rights, such as the right to accurate information and transparency in the management of the company, are maintained.

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