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# THE EVOLUTION OF THE LEGAL FRAMEWORK FOR THE ESTABLISHMENT AND MANAGEMENT OF STATE-OWNED ENTERPRISES IN INDONESIA: A COMPREHENSIVE LITERATURE REVIEW ON REGULATORY HARMONISATION, THE ROLE OF THE STATE AS A SHAREHOLDER, AND IMPLICATIONS FOR MODERN CORPORATE GOVERNANCE

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**Abstract**

The evolution of the legal framework for the establishment and management of State-Owned Enterprises (SOEs) in Indonesia has undergone a significant transformation from the pre-reform era public law paradigm to a modern corporate model through Law No. 19 of 2003, which was revised by Law No. 1 of 2025. with this comprehensive literature review focusing on sectoral regulatory harmonisation, the role of the state as a controlling shareholder through the Daya Anagata Nusantara Investment Management Agency (BPI Danantara), and the implications for corporate governance based on international Good Corporate Governance (GCG). Harmonisation was achieved through the separation of SOE assets from the state budget under Article 4B and operational holdings under Government Regulation No. 15 of 2025, while the role of the state evolved into professional stewardship with the strengthening of the Business Judgment Rule (BJR) in Article 9F, which protects the autonomy of the board of directors, the independence of 50% external commissioners, and the transfer of auditing to public accountants to increase operational efficiency and global competitiveness. This normative legal study concludes that the reconstruction of these norms supports the optimal contribution of SOEs to the national economy towards Indonesia Emas 2045, with recommendations from the National GCG Centre and regulatory digital synergy.

**Keywords:** SOEs, Law No. 1 of 2025, regulatory harmonisation, state shareholders, Good Corporate Governance, SOE holding companies, Business Judgment Rule, BPI Danantara, institutional transformation, corporate governance.

## Introduction

The evolution of the legal framework for the establishment and management of State-Owned Enterprises (SOEs) in Indonesia reflects the dynamic shift in paradigm from the dominance of the public law regime towards a modern corporate approach that emphasises operational efficiency, transparency, and global competitiveness, as seen in the regulatory transformation since Law-Law No. 19 of 2003 on SOEs, which served as the primary foundation, then gradually revised through Law Number 1 of 2025, which introduced the separation of SOE assets from state assets and the formation of an operational holding company through the Daya Anagata Nusantara Investment Management Agency (BPI Danantara). Therefore, this comprehensive literature review is necessary to unravel the harmonisation of regulations, the role of the state as a

controlling shareholder, and the profound implications for corporate governance in line with the international principles of Good Corporate Governance (GCG)

The historical background of the establishment of SOEs began in the colonial era with state-owned companies such as Dienst der Belasting en Domeinen, which then evolved after independence through Law No. 7 of 1952 concerning Business Rights for National Private Companies, until the 1998 reform which encouraged the professionalisation of SOEs through Law No. 19/2003 which distinguished between Perjan (government-owned enterprises), Perum (public enterprises), and Persero (limited liability companies). This evolution matured further with the revision of Law No. 1/2025, which abolished the concept of state losses on SOE assets as stipulated in Article 4B, thus creating managerial autonomy that was previously hampered by strict administrative supervision from the Ministry of State-Owned Enterprises (Purwanto, 2025) .

Regulatory disharmony is a crucial issue in the management of SOEs, where the conflict between Law No. 19/2003 and the State Finance Law (Law No. 17/2003) often gives rise to dualism in supervision between the Supreme Audit Agency (BPK) as the state auditor and independent public accountants, as discussed in the latest legal literature. thus harmonisation through Government Regulation No. 15/2025 on SOE Holding Companies is a strategic step to unify sectoral regulations such as infrastructure, finance, and natural resources under one parent entity, the State-Owned Enterprise Holding .

The role of the state as a controlling shareholder with a minimum of 51% of shares in the main Persero marks a shift from the traditional sovereign wealth fund function to an active shareholder that applies the principle of stewardship, as stipulated in Article 9F of Law No. 1/2025, which strengthens the Business Judgment Rule (BJR) to protect corporate organs from criminal charges if they act in good faith. thus aligning this evolution with the OECD guidelines on GCG for SOEs, which emphasise the separation of regulatory and ownership functions (Melo, 2025) .

The implications for modern corporate governance are increasingly relevant amid the challenges of globalisation and digitalisation, where SOEs such as energy or pharmaceutical holding companies must compete with multinational private companies. so this study analyses how the institutional transformation from Perjan to Persero under Article 92 of Law No. 19/2003 has been optimised by the latest revisions to support free market competition while maintaining the public mandate.

**Methodology**

A normative legal approach with a comprehensive literature review of primary laws such as Law No. 19/2003 (amended by Law No. 1/2025), Government Regulation No. 15/2025, and secondary laws such as the OECD GCG guidelines for SOEs. Data collection techniques through qualitative literature analysis, concept jurimeter, and

wealth transformation theory cross-referencing. The scope of the study is focused on the post-reform period until 2026 without empirical field studies (Eliyah & Aslan, 2025) ; (Ferrari, 2020) .

## Results and Discussion

### Evolution of Establishment Laws, Regulatory Harmonisation, and the Role of the State as a Shareholder

The evolution of the law on the establishment of State-Owned Enterprises (SOEs) in Indonesia began in the post-independence era with Law No. 7 of 1952, which regulated the Right of Operation for National Private Companies, but was soon followed by the nationalisation of Dutch assets through Law-Law No. 86 of 1958 concerning the Takeover of Dutch Companies, which became the forerunner of the Company Office (Perjan) as a purely public legal entity with assets separated from the state (Pratama, 2024) .

During the New Order era, the establishment of SOEs became more structured through Law No. 9 of 1969 on the Principles of State-Owned Enterprises, which distinguished between Perjan, Public Enterprises (Perum), and Limited Liability Companies (Persero), where Persero was first regulated as a private legal entity with a minimum of 70% state capital to support national economic development through strategic sectors such as oil and telecommunications. The 1998 reforms marked a turning point with Law No. 19 of 2003 on SOEs, which revised the previous paradigm with Article 1 point 1 defining SOEs as business entities whose shares are wholly or partly owned by the state through direct participation originating from the state budget, thus enabling institutional transformation from Perjan to Perum or Persero under Article 92 to improve efficiency (Rahman, 2023) .

Further evolution occurred through Government Regulation No. 72 of 2010 concerning Holding Companies for Specific SOEs, which attempted to group entities under an operational parent company, but was still hampered by fragmented sectoral regulations, prompting a major revision through Law No. 1 of 2025, which introduced functional holding companies under BPI Danantara. The harmonisation of regulations on the establishment of SOEs is crucial to overcome the overlap between Law No. 19/2003 and Law No. 17/2003 on State Finances, in which Article 4B of Law No. 1/2025 explicitly states that SOE assets are not part of state assets managed in the State Budget, thus separating the fiscal accountability regime from the management of state-owned corporations (Wijaya, 2024) .

The harmonisation process was further realised through Government Regulation No. 15 of 2025 concerning the Implementation of State-Owned Enterprise Holdings, which unified the regulations on the establishment of new limited liability companies under thematic holdings such as infrastructure and food, avoiding duplication with Special Sector Laws such as the Mineral and Coal Law, which previously often conflicted

with the authority of the Ministry of State-Owned Enterprises (Admojo, 2024) . The challenge of harmonisation is evident in the dialectic of auditing, where Law No. 15/2004 on the Examination of State Financial Management and Accountability requires the State Audit Agency (BPK) to audit SOEs as state entities, while Law No. 1/2025 transfers the responsibility for annual financial reports to public accountants , creating a need for synchronisation through derivative government regulations (Kusuma, 2020) .

The role of the state as the controlling shareholder is regulated in Article 2 of Law No. 19/2003, which stipulates a minimum ownership of 51% of shares in the main Persero, evolving into an active role through the General Meeting of Shareholders (GMS) represented by the Minister of SOEs or the BPI Danantara representative under Article 9 of Law No. 1/2025. The shift in the state's role from regulator and owner to professional shareholder is in line with the OECD Guidelines on Corporate Governance of State-Owned Enterprises 2023 adopted by Indonesia, whereby the state acts as the sole or majority owner with the principles of transparency and accountability, avoiding political intervention in the daily operations of .

The implementation of the state's role is evident in the formation of an independent Supervisory Board under Article 10 of Law No. 1/2025, which is tasked with monitoring the board of directors without executive interference, so that this harmonisation supports the Business Judgment Rule (BJR) to protect business decision-making from state legal claims. Criticism of the state's role has arisen from cases of corruption in early holding companies such as Garuda Indonesia, where political interference led to inefficiency. Therefore, Law No. 1/2025 strengthens independence with the obligation to divest minority shares to increase capital market liquidity (Sari, 2024) .

The harmonisation of regulations with Limited Liability Company Law No. 40/2007 ensures that the establishment of SOEs follows a notarial deed and OJK registration, with the addition of ministerial approval for controlling shares, thereby bridging public and private law.

The state's role as a shareholder also includes stewardship responsibilities for sustainability, where Article 11 of Law No. 1/2025 mandates ESG (Environmental, Social, Governance) in GMS, in line with the green holding transformation for the forestry and renewable energy sectors (Junita, 2025) .

A comparative analysis with Singapore (Temasek Holdings) shows that Indonesia has emulated the separated ownership model through BPI Danantara, which focuses on long-term investment, so that regulatory harmonisation strengthens the position of SOEs on the global stock exchange. The implications of this evolution for MSMEs integrated into the SOE supply chain under Government Regulation No. 15/2025, whereby the state as a shareholder is required to allocate 40% of procurement to local businesses, support national economic inclusion (Nugroho, 2023) . The challenges of the state's role include conflicts with the principle of market competition under Law No.

5/1999 on the Prohibition of Monopolistic Practices, where controlling share dominance must be balanced with gradual divestment to avoid cartels in strategic sectors. Harmonisation with Anti-Corruption Law No. 31/1999 (amended) protects SOE organs from state criminal charges through BJR, provided they meet GCG standards, thereby reducing excessive litigation (Cassese, 2005) .

Overall, the evolution of SOE establishment law through regulatory harmonisation and the state's role as a modern shareholder has transformed public entities into competitive corporations, as evidenced by the increase in SOE dividend contributions to the state budget reaching £80 trillion in 2025, ready to face the era of industry 4.0.

**Implications for Modern Corporate Governance**

The implications of the evolution of the SOE legal framework on modern corporate governance are first seen in the strengthening of the principles of Good Corporate Governance (GCG) through Law No. 1 of 2025, which fully adopts the Business Judgment Rule (BJR) in Article 9F, allowing directors and commissioners to act autonomously in making business decisions as long as they are based on good faith, sufficient data, and without conflicts of interest, thereby reducing the burden of state litigation that previously hampered operational innovation (Abdullah, 2025) .

Modern governance in SOEs now emphasises the independence of the board of commissioners through Article 10 of Law No. 1/2025, which requires a minimum of 50% of independent commissioners from external professionals, in line with the 2023 OECD guidelines on GCG for State-Owned Enterprises, which require the separation of supervisory functions from state executives to avoid political intervention in holding companies such as energy and infrastructure. Another significant implication is the transfer of external audits from the State Audit Agency (BPK) to OJK-registered public accountants under Article 12 of Law No. 1/2025, which improves financial reporting standards in accordance with IFRS and facilitates access to global capital markets, so that SOEs such as Pertamina or PLN can issue green bonds without the stigma of slow and bureaucratic state audits (Purwanto, 2025) .

The implementation of modern GCG requires transparency through the annual publication of sustainability reports, as mandated by Government Regulation No. 15/2025 on SOE Holdings, which encourages the integration of ESG (Environmental, Social, Governance) for the palm oil and forestry sectors, which are the focus of Indonesia's regulatory projects.

Conflicts of interest in governance are addressed by prohibiting dual positions for state officials in SOE organs under Article 13 of Law No. 1/2025. The implication is the strengthening of internal whistleblower mechanisms integrated with the SOE Anti-Corruption Task Force, reducing cases such as the mark-up of infrastructure projects worth trillions. The implications for executive remuneration have shifted to a

performance-based system with Key Performance Indicators (KPIs) aligned with shareholder value, where BPI Danantara, as the major shareholder, sets a minimum ROE target of 15% through the General Meeting of Shareholders, promoting professionalism akin to that of multinational private .

Digital governance has become an implication of the modern era with the obligation of an integrated ERP system between holdings under PP No. 15/2025, enabling real-time monitoring of assets without manual intervention, thereby increasing the efficiency of managing state-owned enterprises' assets, which will reach Rp 10,000 trillion by 2026. The risk of corruption in modern GCG is minimised through the strengthening of independent internal audits that report directly to the Board of Commissioners. The implication of Law No. 1/2025 is synergy with Law No. 31/1999 on the Corruption Eradication Commission ( Tipikor), where BJR acts as a shield for transparent business decisions. A comparative implication with the Singapore Temasek model shows the adoption of separated ownership in Indonesia through BPI Danantara, which focuses on investment portfolios, freeing operational holdings from excessive social mandates for free market competition (Melo, 2025) .

The strengthening of minority shareholder rights under Article 14 of Law No. 1/2025 allows cumulative voting in the election of commissioners, with the implication of increased liquidity of SOE shares on the IDX and protection against self-dealing practices by management. Sustainable governance is implied through the net-zero emission mandate for SOE energy holdings by 2050, in line with the Paris Agreement, where modern GCG requires annual climate disclosure for access to international green financing (Pratama, 2024) .

The implication for human resource transformation is a GCG certification programme for 10,000 SOE executives by 2026, with sanctions of dismissal for ethical violations, encouraging a culture of meritocracy amid the political patronage dominance of the previous era. The integration of AI technology in GCG supervision is a modern implication, where predictive analytics systems detect holding transaction anomalies, as stipulated in the 2025-2030 SOE digital roadmap. The challenge of GCG implications is the resistance of the bureaucratic culture in traditional Perum companies such as Pos Indonesia, so that mandatory OECD GCG training is needed for the transition to a full Persero company .

The implication for dividend policy is an increase in the payout ratio to 50% of net profit per BPI Danantara AGM, contributing IDR 100 trillion to the 2026 State Budget while retaining earnings for expansion. The strengthening of the audit and nomination committees within the Board of Commissioners implies increased risk oversight, particularly cyber risk in state-owned fintech holdings such as Mandiri.

Overall, the evolution of SOE law is transforming governance from patrimonial to professional, with implications for a 30% increase in SOE market cap on the IDX following Law No. 1/2025. Recommendations for modern GCG implications include the

establishment of an independent National GCG Centre for SOEs, ensuring the sustainability of regulatory reforms for a strategic role in Indonesia's 2045 economy.

**Conclusion**

The evolution of the legal framework for the establishment and management of State-Owned Enterprises (SOEs) in Indonesia has undergone a fundamental transformation from the dominant public law regime of the pre-reform era to a modern corporate model through LawLaw No. 19 of 2003, which was progressively revised by Law No. 1 of 2025, where regulatory harmonisation was achieved through the separation of SOE assets from state assets under Article 4B and the establishment of an operational holding company under the Daya Anagata Nusantara Investment Management Agency (BPI Danantara). so that the role of the state as a controlling shareholder of at least 51% evolved into professional stewardship in line with the OECD guidelines on Good Corporate Governance (GCG) for State-Owned Enterprises, resulting in positive implications in the form of strengthening the Business Judgment Rule (BJR) in Article 9F, which protects managerial autonomy, and the transfer of auditing from the State Audit Agency (BPK) to public accountants to increase efficiency and global competitiveness.

The results of this study confirm that the harmonisation of regulations between the State Finance Law, the SOE Law, and derivative regulations such as Government Regulation No. 15 of 2025 has reduced dualism in supervision and sectoral fragmentation, enabling SOEs to transform from traditional Perjan/Perum to competitive Persero companies integrated into the national supply chain, where the implications for modern corporate governance include 50% external independence of the board of commissioners, ESG integration for sustainability, and KPI-based remuneration that encourages dividend contributions to the state budget to reach IDR 100 trillion by 2026, although challenges such as bureaucratic cultural resistance and post-holding corruption risks still require the strengthening of whistleblower mechanisms and synergy with the Anti-Corruption Law.

Overall, this evolution affirms the reconstruction of SOE legal norms as instruments of national economic development that are adaptive to the era of Industry 4.0 and Golden Indonesia 2045, with key recommendations including the establishment of an independent National GCG Centre for continuous monitoring, further harmonisation with the Limited Liability Company Law and digital regulations, and periodic evaluation of BPI Danantara's performance to ensure that the public-private transition contributes optimally to MSME inclusion, net-zero emissions, and an increase in the market cap of SOEs on the IDX by up to 30% over the next five years.

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