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The Evolution and Practical Innovation of Indonesian Limited Liability Company Law: Reflections and Prospects from a Global Perspective

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Abstract

This paper examines the evolution and practical innovation of Indonesian Limited Liability Company Law, highlighting its historical development, current challenges, and prospects in a globalized and digital economy. Tracing the origins of limited liability company laws from Dutch colonial influence to modern reforms, the study explores key milestones, including the enactment of pivotal legislation and digital transformation initiatives such as the Online Single Submission system. The paper also analyzes the integration of Corporate Social Responsibility (CSR) and Environmental, Social, and Governance (ESG) compliance into corporate practices, reflecting global sustainability trends. Despite notable advancements, challenges persist in legal implementation, corporate governance, and support for small and medium enterprises (SMEs). The findings underscore the necessity for ongoing reforms to enhance efficiency, transparency, and alignment with international standards while addressing Indonesia's unique socio-economic context. This research provides theoretical insights and policy recommendations to strengthen Indonesia's limited liability company framework, fostering sustainable economic growth and global competitiveness.

Keywords: Indonesian Limited Liability Company Law, Digital Transformation in Legal Systems, Globalization and Corporate Law, Legal Innovation.

1. Introduction

Indonesia, as the largest economy in Southeast Asia, plays an increasingly crucial role in promoting investment and economic growth through its Limited Liability Company Law. As the legal foundation for economic development, the Limited Liability Company Law not only attracts foreign investment and protects investor rights but also drives the growth of local businesses and optimizes market conditions. However, with the rapid development of globalization and the digital economy, traditional legal frameworks are increasingly exposed to limitations and lagging behind. To maintain the distinctive features of the local legal system while enhancing its flexibility and global competitiveness has become an important issue in the development of Indonesian Limited Liability Company Law.

In recent years, Indonesia has made significant strides in attracting foreign investment and supporting local businesses. However, challenges such as low efficiency in law enforcement and regional development imbalances continue to constrain the full potential of companies. For instance, while the introduction of online registration systems has improved the convenience of business registration, their reach and effectiveness remain limited in remote areas. Furthermore, international investors are raising higher demands for the transparency and consistency of Indonesia's legal system, further highlighting the urgency of legal reforms.

This article aims to systematically review the historical evolution and practical development of Indonesian Limited Liability Company Law, analyze the actual effectiveness and limitations of current legal implementation, and explore the direction and path for future reforms of Indonesian Limited Liability Company Law. It aims to provide theoretical support and policy recommendations for the improvement of its legal system and economic development.

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2. Methods

This study employed a multidisciplinary approach to analyze the evolution and innovations in Indonesian Limited Liability Company Law. The research methods included:

2.1 Literature Review Method

A comprehensive review of primary and secondary sources was conducted. Primary sources included Indonesian legal texts, historical legislation such as the Dutch Commercial Code, and contemporary laws like the “Law Number 40 of 2007 concerning Limited Liability Companies.” Secondary sources included academic journals, legal commentaries, and government reports.

2.2 Case Studies Method

Key case studies were analyzed to understand the practical application of limited liability company laws in areas such as digital transformation, corporate governance, and CSR initiatives. Cases from major corporations like PT Pertamina and SMEs were included.

2.3 Data Analysis Method

Quantitative data from government databases, such as the Indonesia Investment Coordinating Board (BKPM), and reports on the Online Single Submission (OSS) system were analyzed to assess the efficiency of reforms.

The combination of these methods ensured a holistic understanding of the topic, integrating historical perspectives, practical applications, and policy implications.

3. Results & Discussion

3.1 History and Evolution of Indonesian Limited Liability Company Law

3.1.1 Early Beginnings: Dutch Colonial Influence

The establishment of Indonesian Limited Liability Company Law can be traced back to the Dutch colonial period. During this time, the Dutch East India Company (Dutch: *Vereenigde Oostindische Compagnie / VOC*) played a central role in administrative and trade policies. The Dutch East India Company (VOC), founded in 1602, was one of the earliest forms of corporate entities as regulated by Dutch law. During the Dutch colonial period, VOC, as a primitive form of company organization, monopolized trade activities in Indonesia. This long-standing monopoly indicates that VOC already possessed the basic elements of modern business and corporate governance. The legal framework governing such entities was primarily based on the Dutch Commercial Code (Dutch: *Het Koopmansrecht*) applicable to VOC activities. When Indonesia became a Dutch colony, Dutch commercial law, including company law, continued to influence the region. The Dutch Civil Code (Dutch: *Burgerlijk Wetboek*), enacted in 1838, established legal structures such as partnerships and companies, which were adapted to meet the needs of colonial trade and governance. In 1848, the Indonesian Commercial Code (Indonesian: *Kitab Undang-undang Hukum Dagang / KUHD*, Dutch: *Wetboek van Koophandel*), a special law separate from the Dutch Civil Code, was compiled and implemented in the colonies. The Indonesian Commercial Code specifically regulated business and trade matters, including company law, negotiable instruments law, maritime law, etc. Initially, the Indonesian Commercial Code applied only to Europeans. Indigenous populations and other foreigners each adhered to their own customary laws. Nonetheless,

over time, the application of the Indonesian Commercial Code expanded to the Chinese population, while other foreigners, such as Arabs and Indians, continued using their traditional customary laws.

However, specifically regarding laws related to business, difficulties arise when the customary laws of each group are applied, due to the following reasons:

1. The customary laws of each group are highly diverse;
2. The customary laws of each group are very unclear; and
3. In business life, interactions often occur without regard to the group of the population, leading to inter-group laws that are naturally perceived as complicated for the business ^[1].

To address these issues, the authorities designed a legal system known as the “subordination principle”, which allowed one party to choose to adhere to another party’s legal system, thus simplifying legal conflicts between different ethnic groups. The Dutch colonial government applied the Indonesian Commercial Code based on the principle of concordance ^[2]. Based on this principle, individuals were allowed to freely establish a legal entity known as the “Public Limited Company (Dutch: *Naamloze Vennootschap*)”, which is the precursor to modern limited liability companies. This marked the official birth of limited liability companies in Indonesia.

During this period, the characteristics of the legal framework governing limited liability companies included high thresholds for business establishment, complex approval processes, and strict corporate governance structures. The legal legacy from the colonial era provided a framework for subsequent limited liability company laws, but also introduced legal complexities and inadequacies in meeting modern economic needs. The legal system from this period not only affected business at the enterprise level but also contributed to long-term centralization issues in the socio-economic structure, making it difficult for local businesses to access resources.

3.1.2 Post-Independence: The Birth of Indonesian Limited Liability Company Law

After Indonesia declared its independence in 1945, the new government faced the urgent task of establishing a sovereign economic system. The existing Dutch colonial laws, including the Commercial Code and Civil Code, continued to apply, but their content could no longer meet the social and economic development needs of post-independence Indonesia. To address this, the government adopted a dual strategy: maintaining certain aspects of the colonial legal structure to avoid abrupt legal disruptions, while gradually reforming to establish a legal framework that would better suit local needs and international conditions.

A significant milestone in the development of the Indonesian Limited Liability Company Law came with the enactment of “Law Number 1 of 1967 concerning Foreign Investment”. This law marked a departure from Dutch colonial practices, with a focus on self-reliance and prioritizing control over economic resources after Indonesia’s independence. The core content and significance of this law include:

1. Regulation of Foreign Investment

The law allowed foreign capital to establish businesses

in Indonesia, but under specific conditions, including government approval and restrictions from investing in key sectors such as energy, infrastructure, and agriculture.

2. **Priority of National Interest**
The law emphasized economic independence and resource control, aiming to reduce dependency on foreign economic powers and protect local enterprises and resources.
3. **Attraction of Foreign Technology and Capital**
While prioritizing national interests, the law still provided a legal framework for attracting foreign capital, aimed at acquiring necessary technology and funds to boost local economic development.

In the early post-independence period, the focus of the Limited Liability Company Law was to encourage state involvement in the economy. "Law Number 1 of 1967 concerning Foreign Investment" allowed foreign investors to enter Indonesia under specific conditions, but it also emphasized national interests, particularly in sectors deemed crucial to the nation. Key reform points included:

1. **Lowering Capital Requirements**
Recognizing that many small and medium-sized enterprises (SMEs) struggled to meet the previously high capital requirements, the government lowered the thresholds, encouraging more local enterprises to register as limited liability companies and expand local economic participation.
2. **Clear Definition of Company Types**
This marked the first systematic definition of different company forms, particularly limited liability companies (Indonesian: *Perseroan Terbatas / PT*). The core characteristic of limited liability companies is that shareholders' liability is limited to their investment, making it easier to attract investors and distribute risk.
3. **Regulation of Shareholder and Board Rights and Obligations**
Shareholders hold decision-making power, while daily business management is handled by the board of directors. This division improved corporate governance efficiency. The rights and obligations of the board, including financial reporting, legal responsibility, and transparency, were clearly defined.

The enactment of "Law Number 1 of 1967 concerning Foreign Investment" achieved significant results:

1. **Promoting Local Enterprise Development**
The new law lowered barriers for SMEs to engage in the economy, enabling more businesses to formalize and promoting rapid growth in Indonesian enterprises.
2. **Modern Legal Framework**
The introduction of limited liability company law laid the groundwork for modern corporate governance, providing institutional support for local businesses competing both domestically and internationally.

Despite the successes, the early legal reforms faced challenges:

1. **Inefficient Implementation**
The implementation of the law relied heavily on manual processes, lacking electronic support and technical infrastructure. The lengthy processes for company registration, approvals, and regulatory

oversight impacted overall efficiency.

2. **Limited Foreign Investment Appeal**
While the law permitted foreign investment, many sectors were still restricted due to protectionist policies, which dampened interest from global investors.
3. **Incomplete Regulatory Mechanism**
The government lacked effective oversight and enforcement capacity, leading to instances where some businesses did not fully comply with the new regulations, or even exploited loopholes. Additionally, initial reforms lacked technical support, making enforcement dependent largely on manual operations, thus reducing efficiency.

After Indonesia's independence, the initial establishment of the Limited Liability Company Law reflected the urgent need for economic development and legal modernization. "Law Number 1 of 1967 concerning Foreign Investment" attracted foreign capital, fostered local enterprise development, and established modern corporate governance systems, laying a foundation for Indonesia's long-term economic growth. However, the technological and institutional shortcomings of the early reforms provided lessons for future legal enhancements. During this period, the limited liability company law embodied the nation's drive for economic self-reliance and also paved the way for more comprehensive legal modernization in subsequent years.

3.1.3 Reform Era: Liberalization and Modernization (1990s-2000s)

Towards the close of the 20th century, Indonesia faced significant challenges in political and economic transformation. Following the fall of the Suharto regime, the country began a series of reforms aimed at achieving economic liberalization, attracting foreign investment, and improving corporate governance structures. These reforms primarily focused on enhancing transparency, strengthening accountability, and optimizing business management frameworks to align with global trends and international standards. Notably, in 1995, the government introduced a major reform in the area of limited liability companies with the enactment of "Law Number 1 of 1995 concerning Limited Liability Companies".

In 1995, Indonesia issued the new Limited Liability Company Law, known as "Law Number 1 of 1995 concerning Limited Liability Companies". This law aimed to modernize corporate structures, especially concerning the operation of limited liability companies. Its core principle was the separation of ownership and management, intended to enhance board independence and transparency. The law required clear distinctions between the rights and responsibilities of the board and shareholders, enabling the board to make independent decisions with reduced direct shareholder intervention. The new law introduced the concept of state-owned enterprises (Indonesian: *Badan Usaha Milik Negara / BUMN*) and regional enterprises (Indonesian: *Badan Usaha Milik Daerah / BUMD*), where the government holds partial or full ownership. This aimed to ensure government involvement while also encouraging enterprises to operate in a more transparent and standardized manner. The Indonesian Limited Liability Company Law began aligning more closely with

international standards, including requirements for corporate governance, shareholder meetings, and defined responsibilities of boards.

To further support and consolidate these corporate governance reforms, the Indonesian government established the Financial Services Authority (Indonesian: *Otoritas Jasa Keuangan / OJK*) in 2011. Article 6 of “Law Number 21 of 2011 concerning Financial Services Authority” states the duties of OJK, including:

1. financial services activities in the banking sector;
2. financial services activities in the capital market sector;
3. financial services activities in the insurance, pension funds, financing institutions, and other financial services institutions sectors.

Despite these reforms achieving some progress, challenges remain in their practical implementation:

1. Lack of Transparency and Efficiency

Although an online registration system has been introduced, many businesses still need to provide supplementary paper materials, making the registration process lengthy and complex. The reliance on paper documents adds time and administrative burdens, slowing down business startups.

2. Policy Implementation Gaps

While laws require transparency and accountability, implementation remains lagging in certain areas. In particular, at the local government level, regulatory enforcement is often weak, leading to ineffective corporate governance practices.

3. Information Asymmetry

Some businesses, especially SMEs, lack clear communication and understanding of the new laws, hindering their ability to successfully adapt to the regulatory environment.

During the latter part of the 20th century, Indonesia’s introduction of “Law Number 1 of 1995 concerning Limited Liability Companies”, along with the establishment of Financial Services Authority in 2011, aimed to improve corporate governance, enhance transparency, and attract foreign investment. However, while reforms have made some headway, challenges like lack of transparency, inefficient execution, and information asymmetry persist in their practical application.

3.1.4 Latest Developments and Trends

Following the foundation of “Law Number 1 of 1995 concerning Limited Liability Companies”, Indonesia introduced a new “Law Number 40 of 2007 concerning Limited Liability Companies” in 2007. This law aimed to further improve corporate governance structures, enhance transparency, and specifically address the rights of minority shareholders, the board of directors, and the rights of various stakeholders.

1. Strengthening Corporate Governance

The new law clearly defined the structure of the board of directors, the operation of shareholders' meetings, and the protection of minority shareholder rights. It built upon the goals of “Law Number 1 of 1995 concerning Limited Liability Companies”, making specific refinements in certain provisions.

2. Protection of Minority Shareholders

The law emphasized the protection of minority

shareholders, addressing deficiencies found in the 1995 legislation. This provision reduces excessive control by majority shareholders, promoting a more balanced power distribution among shareholders.

3. Integration of Corporate Social Responsibility (CSR)

The 2007 law introduced the concept of Corporate Social Responsibility (CSR) into the Limited Liability Company framework for the first time. This reflects the global business trend towards sustainability, particularly in resource-intensive industries in Indonesia, such as mining, forestry, and energy sectors.

Global sustainability principles have led to the incorporation of CSR requirements into Indonesian Limited Liability Company Law.

1. Mandatory CSR Requirements in Business Operations

The 2007 law explicitly mandates that companies in specific industries, such as resource extraction and energy, must integrate sustainable development and social responsibility practices. Companies are required to take greater responsibility in fields like environmental protection, community engagement, and social impact.

2. Balancing Economic, Environmental, and Social Aspects

With Indonesia's rapid industrialization, urbanization, and globalization, challenges in environmental and social responsibility are prominent, especially in resource-intensive sectors. The 2007 law reflects this shift by requiring companies to not only seek economic benefits but also contribute to environmental and social responsibility.

3. Aligning with International Standards

The introduction of CSR provisions aligns Indonesian Limited Liability Company Law with international markets and global corporate governance standards, boosting investor confidence and enhancing the competitiveness of companies in international markets.

The development of corporate law in Indonesia is driven not only by globalization trends but also by domestic economic, social, and political factors.

1. Economic Perspective

Indonesia has undergone economic structural transformation over the past few decades. Rapid industrialization and urbanization have presented new demands on corporate law. Economic changes have led to the diversification of business forms, from traditional family-owned enterprises to modern large-scale corporations, requiring more refined governance structures. Additionally, the expansion of the middle class has heightened societal demands for corporate transparency and responsibility, leading to the introduction of corporate governance and CSR provisions.

2. Social Perspective

As the middle class emerges, there is a significant increase in societal demand for corporate responsibility and transparency. This has led to stricter regulations in limited liability company law regarding shareholders' rights, board structure, and corporate social responsibility. Resource-intensive industries, such as forestry, mining, and energy, have significant environmental impacts. Public expectations for

companies to perform well in social responsibility and environmental protection have driven the introduction of CSR provisions.

3. Political Perspective

The Indonesian government, through anti-corruption and legal reforms, has created a more transparent and regulated corporate governance environment. Political stability and anti-corruption measures have strengthened the enforcement of corporate law. Additionally, government-driven policies and anti-corruption initiatives provide a more favorable environment for the practical implementation of limited liability company law, making companies more inclined to adhere to new corporate governance structures and CSR requirements.

The enactment of “Law Number 40 of 2007 concerning Limited Liability Companies” reflects Indonesia's evolving demands in its economic, social, and political landscape. This law not only strengthens corporate governance structures and protects minority shareholders but also integrates relevant CSR provisions, ensuring that companies contribute to environmental and social responsibility while pursuing economic growth. The evolution of corporate law in Indonesia is shaped by globalization, domestic economic structural transformation, rising social responsibility demands, and government anti-corruption policies, reflecting a profound transformation from colonial, to independence, to modernization.

3.2 Innovations and Practices in the Current Indonesian Limited Liability Company Law

In recent years, with the acceleration of global economic integration, governments around the world have increasingly prioritized adjusting laws and policies to optimize the business environment, drive economic development, and enhance international competitiveness. As a key economic entity in Southeast Asia, Indonesia has actively explored innovations and practices in its Limited Liability Company Law. These reforms not only focus on enhancing corporate operational efficiency while also aim to create a fairer and more transparent market environment by introducing digital tools, optimizing legal support, and strengthening regulations. These measures provide robust support for businesses, particularly small and medium-sized enterprises (SMEs) and foreign-invested enterprises.

3.2.1 Promoting Digital Transformation

Efficiency has become an important standard for evaluating whether a country's judicial system is scientific and civilized, in addition to justice, in contemporary society^[3]. Over the past few years, the Indonesian government has optimized company registration and operational procedures through digital reforms to enhance efficiency and transparency. The primary objectives of information technology and electronic transaction development, including e-commerce, are: to enhance the nation's intellectual life as a component of the global information society; to develop national trade and economy in order to improve public welfare; to increase the effectiveness and efficiency of public services; to provide the widest opportunities for everyone to advance their thoughts and skills in the optimal and responsible use of information technology; to ensure security, justice, and legal certainty for users and providers of information technology^[4].

1. Online Company Registration

The Online Single Submission (OSS) system, developed by the Ministry of Economic Affairs and the Indonesia Investment Coordinating Board (Indonesian: *Badan Koordinasi Penanaman Modal / BKPM*), was launched in 2018 to provide one-stop registration services for businesses. The legal basis for this system is “Government Regulation Number 24 of 2018 concerning Integrated Business Licensing Services Electronically”, which defines the structure and functions of the OSS system, including registration, license approval, and post-approval supervision.

Before the execution of the OSS system, the average time to register a new company in Indonesia was 30 days. After the OSS system was introduced, the average time to register a new company was reduced to 7 days or even less. This demonstrates that the OSS system has significantly lowered the time cost for businesses to gain entry into the market, enhancing the efficiency of the country's economic operations.

According to a report from the BKPM, as of the end of 2023, the Ministry of Investment/BKPM had issued 7,146,105 Business Identification Numbers (Indonesian: *Nomor Induk Berusaha / NIB*) through the OSS system. The composition of issued NIBs includes 6,887,479 for micro-enterprises, followed by 187,402 for small businesses, 23,350 for medium enterprises, and 47,874 for large businesses. It is significant to highlight that over 2 million NIBs were issued since the second anniversary of the risk-based OSS system in August 2023, compared to 2,461,775 NIBs issued throughout all of 2022^[5]. This means that in the past five months, the number of Business Identification Numbers issued has nearly equaled the total number issued throughout 2022. This significant increase highlights the growing awareness among business actors to formalize their operations, reflecting a boost in trust towards the government. With an internet connection, business actors can now easily process their NIBs from anywhere, eliminating the need to visit the One-Stop Integrated Investment and Licensing Service Office (Indonesian: *Dinas Penanaman Modal dan Perizinan Terpadu Satu Pintu / DPMPSTP*) or interact with multiple officers at different desks.

Of course, online company registration still has many shortcomings. Some small and medium-sized enterprises (SMEs) are unfamiliar with digital tools, resulting in limited system utilization. To help these businesses adapt, the government launched the Digital Technology Adaptation Program, which offers online training courses, free technical support, and community consultation centers to ensure more businesses can effectively use the OSS platform.

Additionally, earlier versions of the OSS platform faced risks such as data breaches and cyberattacks. In 2022, the “Law Number 27 of 2022 concerning Personal Data Protection” was implemented, requiring all government digital platforms to conduct regular security assessments and introduce multi-layer encryption technology to protect user data.

2. Electronic Shareholders' Meetings

During the COVID-19 pandemic in 2020, the Indonesian Financial Services Authority (Indonesian: *Otoritas Jasa Keuangan / OJK*) issued “Regulation of the Financial Services Authority Number

15/POJK.04/2020 of 2020 concerning the Planning and Implementation of General Meetings of Shareholders of Public Companies". This regulation, for the first occasion, explicitly affirmed the legality of holding shareholders' meetings via online platforms. It established standards for electronic meeting notifications, voting recordkeeping, and meeting outcomes archiving, ensuring the legal validity and operational integrity of online meetings. Through its participation in the ASEAN electronic governance framework, Indonesia has worked in tandem with other regional countries to advance the digitalization of corporate governance standards, enhancing its global competitiveness.

The implementation of online meetings has significantly facilitated the decision-making processes of multinational corporations and regional enterprises, especially for shareholders across multiple time zones. In Indonesia, numerous companies have convened shareholders' meetings through the Electronic General Meeting of Shareholders (Indonesian: *Elektronik Rapat Umum Pemegang Saham / E-RUPS*) system. On June 28, 2021, PT KSEI launched an e-Voting module on the eASY.KSEI platform, incorporating webinar live streaming features to support electronic attendance and proxy granting in general meetings of shareholders^[6]. Companies such as Bank Syariah Indonesia, Bank Panin Dubai Syariah, and Bank BJB have published guidelines on their official websites for investor participation in E-RUPS. These cases demonstrate Indonesian companies' proactive adoption of the E-RUPS system to enhance the efficiency and convenience of shareholders' meetings.

However, sensitive data transmitted during online meetings, such as voting records and financial reports, faces the risk of unauthorized access. To address this, the government amended "Law Number 11 of 2008 concerning Electronic Information and Transactions", introducing stricter data protection measures, including data encryption and access control mechanisms.

Enterprises in remote areas, however, face challenges in participating in online meetings due to insufficient network coverage. The government has formulated various strategies to address these issues, such as the "6 Sustainable Strategies for Digital Infrastructure Development in Indonesia" published by the Parliamentary Analysis Center of the Indonesian Parliament's Expert Body, the "The Digital Development Horizon of Indonesia 2025-2030" published by the Ministry of Communication and Information, and the "White Paper on the National Strategy for Indonesia's Digital Economy 2030" by the Faculty of Economics at Jakarta State University. These strategies aim to accelerate nationwide digital infrastructure development, foster digital talent, enhance infrastructure management efficiency, bolster cybersecurity, and promote digital economic growth. Furthermore, they emphasize strengthening coordination and collaboration across sectors and stakeholders to bridge the technological divide.

3.2.2 CSR and ESG Compliance

CSR (Corporate Social Responsibility) refers to the concept where businesses, while pursuing profits, voluntarily

assume responsibilities for society and the environment. CSR emphasizes a business practice centered on ethics and sustainable development, requiring companies to focus not only on economic benefits but also on responsibilities toward employees, communities, the environment, and other stakeholders.

ESG (Environment, Social, and Governance) represents the three non-financial factors that businesses prioritize in their operations. These aspects are used to assess a company's environmental and social responsibility, and they are also essential metrics for investors evaluating a company's long-term value and risk management capabilities.

The Indonesian Limited Liability Company Law has increasingly emphasized CSR and ESG indicators in recent years. Article 74 of "Law Number 40 of 2007 concerning Limited Liability Companies" stipulates that companies engaged in natural resource sectors or those related to natural resources are mandated to fulfill CSR obligations. CSR must be accounted for as a corporate expense and implemented correctly and fairly. Failure to meet CSR obligations can result in penalties as regulated by law.

"Government Regulation Number 47 of 2012 concerning Social and Environmental Responsibility of Limited Liability Companies" further specifies the details of CSR programs, including budget allocation, implementation methods, and community feedback mechanisms to ensure CSR initiatives go beyond mere formalities.

In recent years, driven by supportive legislation, Indonesian companies have actively engaged in CSR, achieving significant results in environmental protection, social contributions, and governance. Below are some notable examples:

1. PT Pertamina (Persero)
Through its CSR programs, Pertamina has supported the development of renewable energy by constructing solar power plants (PLTS) for remote villages. A notable project is the PLTS initiative on Pahawang Island, Lampung, which successfully provided electricity access to hundreds of households^[7].
2. PT PLN (Persero)
PLN runs the "Electrified Villages" program aimed at delivering electricity to remote areas. One achievement is the development of co-firing biomass-based power plants, such as at PLTU Rembang, which use agricultural waste as fuel, reducing carbon emissions while empowering local farmers economically^[8].
3. PT Bio Farma (Persero)
Bio Farma actively supports public health through mass vaccination programs across Indonesia, especially during the COVID-19 pandemic. It has also established healthcare training centers to enhance the capacity of medical professionals in remote regions^[9].
4. PT Indonesia Weda Bay Industrial Park (IWIP)
IWIP has implemented comprehensive CSR initiatives to improve the economic well-being of communities in North Maluku. Since its establishment in 2018, IWIP has supported various sectors such as education, health, socio-culture, the environment, and local community economic development. The company has provided support for facilities and infrastructure to over 25 schools and Islamic boarding schools, implemented vocational training programs, and offered scholarships from vocational to postgraduate levels. IWIP has also supported health centers with oxygen

tanks, constructed hospital wards, and improved healthcare services in the Weda area, including providing ambulances and building inpatient centers. Additionally, IWIP has carried out coral transplantation and mangrove restoration, planting one million mangroves to protect the local ecosystem^[10].

5. MMSGI Group Indonesia (MMSGI)

MMSGI received a five-star Excellence Award at the 2024 TOP CSR Awards, recognizing its efforts to improve local community quality of life. The company implemented the Paspatabang Clean Water Program, providing clean water resources to communities. It also engaged in rainforest and conservation forest restoration, offered scholarships to support local students, and developed traditional villages like Lung Anai Suku Dayak Kenyah while providing capital support to local MSMEs^[11].

With the execution of the Paris Agreement, international investors have increasingly prioritized sustainability in investment decisions, using ESG as a key metric. The Indonesia Stock Exchange (IDX) launched an ESG rating system in 2020, requiring all listed companies to provide detailed ESG performance data. Based on these ratings, companies are granted financing and investment incentives. In 2022, IDX expanded the release of green bonds to attract more companies to fund environmental and social projects. By 2024, the IDX has made significant progress in ESG initiatives and green bonds issuance. IDX continues to promote sustainable investment and support companies practicing ESG principles in their operations. IDX has established a set of ESG standards that must be adhered to by companies wishing to list on the exchange. In 2024, IDX further strengthened the market of green bonds, with many companies using green bonds to finance renewable energy, water-saving, and energy efficiency projects. As of October 2024, the Financial Services Authority (OJK) reported that the value of sustainability-based bonds and sukuk issuance in Indonesia had reached IDR 36.4 trillion^[12]. This indicates that Indonesia is continuously supporting the growth of the sustainable investment market.

3.2.3 Support for Small and Medium Enterprises (SMEs) and Startups

Small and Medium Enterprises (SMEs) play a vital role in Indonesia's economy, and the government, through reforms to the Limited Liability Company Law, provides more support to these enterprises.

1. Simplification of Registration Process

The “Job Creation Law 2021 (Omnibus Law)” removed the minimum capital requirement for micro and small enterprises and allowed them to complete registration through simplified procedures. “Government Regulation Number 7 of 2021 concerning the Ease, Protection, and Empowerment of Cooperatives and Micro, Small, and Medium Enterprises” further detailed classification standards for micro and small enterprises and provided free consultation services during registration, lowering market entry barriers.

2. Financing Convenience

The government, in collaboration with financial institutions, has introduced various support policies, including establishing Endowment Fund for Entrepreneurship Indonesia, which offers low-interest

loans and equity financing for SMEs and startups. In 2023, the government launched the “Baparekraf for Startup (BEKUP) 2023” program, focusing on innovative tech enterprises, providing interest-free loans and technical support. The Bank Indonesia also lowered loan interest rates, enabling more micro and small enterprises to access business funds at a lower cost.

3. Training and Guidance

The Ministry of Industry, in collaboration with local educational institutions, launched the Micro, Small, and Medium Enterprises (MSME) Digitalization Program, providing free online tools for enterprises and conducting multi-level skill training. Nationwide innovation and entrepreneurship competitions are held annually, offering funding support and market promotion opportunities for outstanding startup projects

3.2.4 Legal Support for Foreign Investment

Indonesia actively attracts foreign investment through reforms in the Limited Liability Company Law. Because trade can make everyone's situation better^[13]. The “Job Creation Law 2021 (Omnibus Law)” relaxes foreign ownership restrictions in several industries, allowing up to 100% foreign ownership in sectors such as technology, e-commerce, and renewable energy. “Presidential Regulation Number 49 of 2021 concerning the Amendment to Presidential Regulation Number 10 of 2021 concerning Investment Fields” lists priority sectors open to foreign investment and provides tax incentives and expedited approval services for eligible foreign enterprises. Indonesia has also signed multiple Bilateral Investment Treaties with major economies like Japan, South Korea, and China, ensuring protection for foreign investors in terms of investment rights, tax policies, and dispute resolution. According to the “Law Number 30 of 1999 concerning Arbitration and Alternative Dispute Resolution”, foreign investors can choose international arbitration institutions to handle disputes with the government or local enterprises.

3.3 Current Key Issues

Although Indonesian Limited Liability Company Law reform has achieved many successes, it still faces key challenges that hinder its effective implementation in economic development, social equity, and globalization.

3.3.1 Lack of Efficiency and Transparency in Legal Execution

Despite the ongoing digital transformation, the enforcement efficiency of Indonesian Limited Liability Company Law remains low. The system coverage has not yet achieved full coverage, particularly in remote areas, where related laws and regulations are difficult to implement swiftly. Additionally, online registration processes remain complex, making it difficult for businesses and individuals to access relevant services.

The lack of digital infrastructure, insufficient technical capacity at the local government level, and fragmented policy execution mechanisms are the main reasons behind low legal execution efficiency. Moreover, the government provides insufficient technical support to remote regions and small enterprises, failing to effectively shorten online service times and processes.

3.3.2 Corporate Governance and Transparency Need Further Strengthening

Although Indonesian Limited Liability Company Law sets standards for information disclosure, many companies do not strictly follow these regulations in practice, and transparency in both financial and non-financial information remains insufficient. The independence and professionalism of corporate boards need further improvement, and conflicts of interest often arise.

The methods of appointing board members, the internal governance structures of companies, and the lack of effective oversight mechanisms are core factors leading to insufficient transparency. Additionally, corporate culture does not fully embrace good governance practices, and there are still constraints from internal interest networks within many companies.

3.3.3 Insufficient Support for SMEs

In Indonesia's economy, SMEs are the driving force for economic growth. However, SMEs still face numerous challenges in accessing financing, technical support, and market connections. Tax policies have not effectively eased the financial burden on small enterprises, and financing channels remain narrow.

The financial system provides insufficient service coverage for SMEs, with bank loan standards being too strict, making it difficult for small enterprises to obtain long-term and stable financing support. Furthermore, the lack of effective collaboration between the public sector and private capital has hindered the creation of platforms for SME incubation.

3.3.4 Low Level of Internationalization of Law

Indonesian Limited Liability Company Law has a low level of engagement with international legal rules, which affects its attractiveness in global markets. Poor quality translations of the law result in misunderstandings by international investors, leading to inaccurate interpretations of legal provisions.

The government's capacity and resources to participate in international legal affairs are limited, and translation work has not kept pace with the needs of international investors. Additionally, the business community has a limited understanding of international legal frameworks and lacks effective strategies for international collaboration.

3.3.5 Weak Legal Constraints on Environmental and Social Challenges

Against the backdrop of global sustainable development, Indonesian Limited Liability Company Law needs to better address environmental and social issues. However, legal constraints on businesses regarding pollution control and resource protection remain weak, with a lack of mechanisms to support green economic development.

The enforcement of environmental legal responsibilities is weak, and there are no dedicated environmental courts or enterprise environmental impact assessment mechanisms. Companies lack effective mandatory constraints in environmental governance, which leads to insufficient implementation of sustainable development in many enterprises

3.4. Future Development Directions and Policy Recommendations

The continuous reform of Indonesian Limited Liability Company Law reflects the values of social justice embedded in Indonesia's Pancasila ideology - where every

law and court decision must embody the spirit of justice. The values of social justice encourage every Indonesian to truly achieve a just and prosperous society, both physically and mentally ^[14]. Against this backdrop, legal formulation and enforcement not only focus on economic growth but also emphasize promoting fairness, protecting the rights of vulnerable groups, and advancing overall social harmony. Therefore, the Indonesian government, in driving company law reform, must take a social justice perspective. Through policy adjustments, legal innovation, and institutional improvements, the government should ensure that the law genuinely reflects fairness and justice, fostering long-term social stability and sustainable economic development.

3.4.1 Deepen Digital Transformation

Digital reform is the core direction for improving legal implementation efficiency and transparency. In the future, the Indonesian government must ensure expand system coverage, through technical and financial support, to ensure the effective promotion of the OSS system in remote areas. Additionally, the user experience must be optimized, and online registration processes simplified, while providing SMEs with technical training to lower access barriers. Finally, data security should be strengthened by establishing encryption and backup mechanisms to address potential cybersecurity threats.

3.4.2 Strengthen Corporate Governance and Transparency

Good corporate governance is key to attracting international investment and enhancing corporate competitiveness. The Indonesian government should establish mandatory disclosure standards, requiring companies to regularly disclose both financial and non-financial information, including CSR and ESG metrics. Furthermore, the independent director system needs to be improved to enhance board independence and professionalism, preventing conflicts of interest. Finally, corporate culture must be transformed through education and advocacy to increase acceptance and implementation of good governance practices.

3.4.3 Support for SMEs and the Innovation Ecosystem

The development of SMEs is crucial for economic growth. The Indonesian government must ensure expand financing channels by establishing dedicated SMEs development funds and attracting more private capital. Additionally, innovation incubation platforms should be built through public-private sector collaboration, providing startups with technical support and market access. Simplified tax policies should also be introduced to offer tax incentives for small enterprises, easing their financial burdens.

3.4.4 Enhance Legal Internationalization

To enhance integration into global markets, Indonesian Limited Liability Company Law needs further internationalization. The Indonesian government should engage in international rule-making and actively participate in company law framework negotiations within ASEAN and globally to enhance its influence. It should also adopt international best practices and learn from the successful experiences of other emerging economies in legal reform, adjusting local policies accordingly. Finally, the quality of legal translations must be improved to provide international investors with high-quality legal text translations, reducing misunderstandings.

3.4.5 Address Environmental and Social Challenges

Within the framework of global sustainable development,

Indonesian Limited Liability Company Law must better address environmental and social issues. The Indonesian government must ensure enhance environmental legal accountability, strengthening legal constraints on companies regarding pollution control and resource protection. Community participation should also be promoted, encouraging businesses to collaborate with local communities to ensure social acceptance and sustainability of projects. Lastly, support for green economies must be provided, offering legal and financial assistance to green technologies and eco-friendly enterprises.

Through these measures, Indonesian Limited Liability Company Law will be better equipped to adapt to changes in the domestic and global economic and social environment, driving long-term national economic development and enhancing global competitiveness.

3 Conclusions

The evolution of Indonesian Limited Liability Company Law has been both a reflection of the nation's economic transformation and a response to global trends in corporate governance. From its colonial foundations to modern reforms, the legal framework has significantly progressed to support economic growth, foreign investment, and the protection of stakeholder interests. Key innovations such as digital transformation, enhanced corporate governance, CSR integration, and support for SMEs demonstrate Indonesia's commitment to aligning with international standards while addressing domestic needs.

Despite these advancements, challenges remain, including inefficiencies in legal implementation, limited support for SMEs, and the need for greater transparency and environmental accountability. These challenges underscore the need for ongoing reform and capacity building, enabling the legal framework to effectively address the demands of globalization, digitalization, and sustainable development.

Looking forward, Indonesia must deepen its digital transformation, strengthen governance and transparency mechanisms, and adopt international legal standards to enhance global competitiveness. Order and justice are the ultimate objective of law. And only in stable society will citizens have the interest and opportunity to develop themselves and contribute to life together^[15]. Emphasizing social justice, as rooted in Indonesia's Pancasila ideology, should remain central to these reforms, ensuring that economic progress is inclusive and sustainable. By addressing these priorities, Indonesian Limited Liability Company Law can become a robust foundation for national development and a model for emerging economies worldwide.

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