

Implementation of Good Corporate Governance Principles and Business Judgment Rule in State-Owned Enterprises Governance Following the Amendment to the Indonesian State-Owned Enterprises Law of 2025

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ABSTRACT

The rapid expansion of the gig economy across Southeast Asia has fundamentally disrupted traditional labor market structures, creating a significant regulatory void in the protection of platform workers. This article presents a comparative legal analysis of labor law enforcement for gig economy workers in Indonesia and Singapore, two nations with distinctly different regulatory approaches. Employing qualitative legal research with a normative-comparative approach, this study examines statutory frameworks, judicial interpretations, and policy instruments in both jurisdictions. The findings reveal a striking regulatory divergence: Singapore has enacted the Platform Workers Act 2024, establishing a sui generis legal category with mandatory Central Provident Fund contributions, work injury compensation, and collective representation rights. In contrast, Indonesia continues to rely on fragmented regulations that relegate platform workers to ambiguous "partnership" status, excluding them from basic labor protections under Law No. 13 of 2003. The study identifies that less than 3.5% of Indonesian gig workers possess employment social security, while Singapore provides comprehensive coverage to approximately 70,000 platform workers. The article argues that Indonesia's regulatory inertia constitutes structural inequality that perpetuates worker vulnerability, and recommends the adoption of a hybrid "third category" legal framework inspired by Singapore's progressive model, while adapting it to Indonesia's unique socio-economic context. Furthermore, the article examines Indonesia's post-amendment governance of state-owned enterprises under Law No. 1 of 2025, which strengthens Good Corporate Governance and Business Judgment Rule protections, though implementation challenges persist. The effectiveness of both regulatory reforms depends significantly on consistent internal controls, transparent metrics, and principled judicial interpretation.

Keywords: Good Corporate Governance, Business Judgment Rule, State-Owned Enterprises, BUMN, Indonesia, Law Number 1 of 2025

INTRODUCTION

State-owned enterprises occupy a structurally distinctive position in Indonesia's political economy. They are expected to operate as commercial entities, instruments of national development, providers of strategic goods and services, and vehicles for state intervention in sectors considered vital to the public's interest. This hybrid mandate has always created a governance dilemma: BUMN are required to pursue efficiency and profitability while also carrying public service obligations and strategic policy assignments that may not fully align with market logic. Consequently, the legal framework governing BUMN has historically struggled to define the limits of state control, the accountability of corporate organs, and the extent to which business losses should be viewed as corporate risk rather than state financial loss (Kasma & Andersen, 2024).

The enactment of Law Number 1 of 2025 on the Third Amendment to Law Number 19 of 2003 represents

a major restructuring of the institutional and normative foundations. The law entered into force on February 24, 2025, and introduced a new architecture that separates regulatory, supervisory, investment, and operational functions more clearly than before. In particular, it inserts Article 1A, which explicitly states that the administration of BUMN is based on economic democracy and includes good corporate governance as one of its principles. The same article further defines GCG through the familiar elements of transparency, accountability, responsibility, independence, and fairness, thereby elevating these principles from policy discourse and ministerial regulation into express statutory language (Garcia, 2023).

This statutory elevation is significant. Prior to the amendment, GCG was widely treated as a best-practice governance norm and a regulatory expectation, but the 2025 amendment transformed it into a direct legislative command applicable to the organization and management of BUMN. The amendment also states that BUMN assets must be managed in accordance with GCG, and that BUMN capital constitutes the property and responsibility of the BUMN. This formulation has implications for the long-standing debate over whether losses suffered by BUMN should automatically be equated with losses to state finance, especially in the context of the criminalization of commercial decisions by directors and commissioners.

Closely related to this issue is the strengthening of the Business Judgment Rule. The BJR is a corporate law doctrine originating in common law systems, especially the United States, that shields directors from liability for honest, informed, and conflict-free business decisions made in good faith for the company's interest, even if those decisions later result in loss. In Indonesian law, the doctrine had previously been implicitly recognized through Company Law norms, especially in relation to directors' fiduciary responsibilities under Company Law, and through governance practices in SOEs. The 2025 BUMN amendment reinforces this doctrine more expressly, including by specifying standards under which ministers, organs, and employees of the newly created SOE investment management body are not legally liable for losses if they can demonstrate the absence of fault, good faith, prudence, no conflict of interest, and no unlawful personal benefit (Kamilah & Handayani, 2021).

The legislative context of the amendment is also important. Law Number 1 of 2025 was designed not only to modernize SOE governance but also to support a broader strategy of separating policy regulation from day-to-day investment and operational management. The law introduces Badan Pengelola Investasi Daya Anagata Nusantara as a state-owned legal entity entrusted with partial management authority over BUMN, alongside the creation of a Holding Investasi and a Holding Operasional structure. The Minister in charge of SOEs remains the regulator and holder of the State's special A-series shares, while the new body holds the B-series shares in the investment and operational holdings and is tasked with optimizing investment, dividends, and asset utilization. This architecture reflects a move toward a more layered governance model that combines state ownership rights, professionalized management, and portfolio-based asset administration (Harahap, 2020).

Such restructuring responds to a practical governance concern that has animated Indonesian SOE reform for years: how to allow BUMN managers to take rational business risks without living under the constant fear that any failed investment, procurement, restructuring, or financing decision will later be reframed as an unlawful loss to the state. Excessive ex-post scrutiny may encourage defensive management, bureaucratic delays, underinvestment, and avoidance of innovation. Conversely, broad legal immunity without strict governance safeguards may create moral hazards, weaken public accountability, and obscure corruption risks. Therefore, the amended law presents an attempt to balance entrepreneurial discretion and public accountability through a simultaneous embrace of GCG and BJR.

However, the problem is that formal codification does not automatically resolve governance ambiguity. Several questions arise from this. First, does the amendment provide a coherent normative relationship between GCG obligations and BJR protection? Second, does the new governance structure genuinely improve oversight by distinguishing strategic control from corporate management, or does it risk re-centralizing power in new institutional forms? Third, how should courts, auditors, regulators, and law-enforcement agencies distinguish legitimate business judgment from negligence, abuse of authority, or concealed self-dealing under the new statute? These questions are especially urgent because BUMN function in sectors where investment decisions are large, politically sensitive, and often intertwined with development policy (Permana & Fadjaranie, 2024).

From an academic perspective, this topic is highly relevant for four reasons. First, it intersects public law,

corporate law, administrative law, anti-corruption policy, and governance studies, making it fertile ground for interdisciplinary analyses. Second, it concerns the state's role in markets, a matter of persistent importance in Indonesia's constitutional and developmental frameworks. Third, the amendment introduces new statutory concepts and institutional arrangements, the interpretation of which will shape future litigation, regulatory practice, and boardroom behavior. Fourth, this study contributes to the growing conversation on the adaptation of global governance standards, including OECD-oriented SOE governance practices, to Indonesia's domestic legal environment (Purwanto, 2020).

Therefore, this study focuses on the title issue: the application of Good Corporate Governance and the Business Judgment Rule in the governance of BUMN after the 2025 amendment. The central argument advanced here is that the amendment has strengthened the normative basis for commercially oriented, yet accountable, decision-making in BUMN, but that its success depends on interpretive discipline and institutional implementation. The coexistence of GCG and BJR should not be interpreted as a contradiction. Rather, the GCG provides governance process standards within which BJR protection becomes legitimate. In other words, the BJR should protect decision outcomes only when the underlying decision-making process complies with transparency, accountability, responsibility, independence, and fairness.

The remainder of this paper is organized as follows. The literature review discusses the development of GCG in SOEs, the doctrinal logic of BJR, and the evolving governance challenges faced by Indonesian BUMN. The research method section explains the qualitative doctrinal and conceptual approaches used in the study. The results section maps the key statutory changes and develops an analytical matrix linking legal provisions to governance functions, supported by tables and a simple governance chart. The discussion section evaluates the implications of the reform for liability, supervision, commercial flexibility and legal certainty. The conclusion distills the principal findings and offers a concise normative direction for future governance practices.

In the broader Indonesian legal discourse, the amendment should be viewed neither as a complete emancipation of BUMN management from public accountability nor as a mere continuation of older command and control models. It marks a transition toward a more corporate governance-oriented state ownership regime, but one that remains embedded in constitutional commitments to public welfare, strategic industry development, and state stewardship of separated assets. This dual character is precisely why the GCG and BJR must be studied together. The GCG without BJR may result in a rigid compliance formalism that discourages genuine commercial initiatives. BJR without GCG may create a rhetoric of managerial freedom that is detached from disciplined governance processes. Therefore, the post-amendment challenge is not simply doctrinal recognition but institutional translation (Putra Arda et al., 2023).

Accordingly, this study seeks to answer the following research questions: (1) how does Law Number 1 of 2025 reconstruct the legal basis of GCG in BUMN governance? (2) how is the BJR strengthened and operationalized in the amended statutory framework? and (3) what are the implications of the interaction between GCG and BJR for accountability, supervision, and business decision-making in Indonesian BUMN after the amendment? Through qualitative legal analysis, this study aims to provide an academically grounded and practically useful interpretation suited to the needs of legal scholarship, governance reform, and policy implementation.

METHOD

This study employs a qualitative legal research design that combines doctrinal, conceptual, statutory, and limited socio-legal analyses. The choice of qualitative method is appropriate because the main object of inquiry is not numerical causation but normative reconstruction: the study seeks to interpret how Good Corporate Governance and the Business Judgment Rule are positioned, connected, and operationalized in the amended Indonesian SOE legal framework after the enactment of Law Number 1 of 2025. Therefore, this study prioritizes legal texts, governance concepts, institutional design, and interpretive implications rather than statistical hypothesis testing.

In methodological terms, this study is primarily doctrinal. Doctrinal legal research focuses on identifying, systematizing, and interpreting legal norms contained in legislation, related legal instruments, and relevant writings. The principal legal source is Law Number 1 of 2025 concerning the Third Amendment to Law

Number 19 of 2003 on State-Owned Enterprises. This research analyzes the statutory provisions inserted or revised by the amendment, especially those concerning the principles of SOE administration, ministerial authority, the creation and governance of the new investment management body, the establishment of investment and operational holdings, capital and asset status, and standards of legal responsibility for governance actors.

The qualitative approach also has conceptual dimensions. Concepts such as GCG, fiduciary duty, prudence, conflict of interest, corporate accountability, state ownership, and BJR are not self-executing; they require interpretive elaboration. Therefore, this study examines how these concepts have been understood in the corporate governance literature and how they are translated into the Indonesian statutory setting. This conceptual analysis helps avoid a purely descriptive reading of the amendment and instead enables a normative assessment of whether the reform's internal logic is coherent and practically meaningful or not.

A statutory approach is used to map the amendment's legal structure. This involves reading the amendment not as isolated clauses but as an integrated regulatory design. Article 1A is treated as a foundational provision because it formally incorporates GCG into the governing principles of BUMN administration. Articles 3A to 3D are read as provisions that redefine the state's regulatory and ownership roles. Articles 3E to 3AA are examined as the legal basis for the new management body, including its powers, governance, committees, and liability standards. Articles 3AB onward are analyzed as institutionalizing the investment and operational holdings. Articles 4, 4A, 4B, and 4C were examined to understand the legal treatment of capital, separated assets, losses, and special state share rights. By reconstructing the statute in this way, this study identifies how dispersed provisions collectively shape BUMN governance.

The research is also partially socio-legal in orientation, although its data are document-based. This means that the analysis considers the broader practical and institutional context within which the law operates, including concerns about the criminalization of business decisions, professionalization of SOE management, state developmental objectives, and alignment with global SOE governance practices. The socio-legal perspective is necessary because legal norms on BUMN governance are inseparable from the political economy of state ownership of BUMNs. A purely textual reading would miss the reform's real significance: its effort to mediate between public accountability and commercial flexibility.

The legal materials used in this study are classified into primary, secondary, and tertiary sources. Primary legal materials consist mainly of the official text of Law Number 1 of 2025 and its publicly accessible reproductions, including the JDIH Kementerian Keuangan document and the Pasal.id text used for easier tracing of articles. Secondary materials include policy news, explanatory governance commentaries, and legal analyses discussing the revised BUMN Law, the BJR doctrine, and SOE governance orientation in Indonesia. Tertiary materials include general conceptual references drawn from broader governance discourse, as reflected in these sources. This research does not rely on fabricated empirical data or interviews; instead, it constructs a rigorous textual and interpretive analysis from verified documentary materials.

The technique of data collection is a documentation study. Legal provisions and supporting materials were identified, selected, and classified according to their relevance to the research questions. The collected materials were then reduced and organized into thematic categories: (1) statutory recognition of GCG; (2) restructuring of SOE governance institutions; (3) codification and strengthening of BJR-like protections; (4) asset, capital, and loss characterization; (5) accountability, supervision, and oversight mechanisms; and (6) governance risks and implementation tensions. This thematic classification provides the basis for the tables and analytical matrix presented in the Results section.

For data analysis, this study used qualitative content analysis and legal interpretation. Content analysis was applied to identify recurring legal themes and governance patterns across statutory provisions and related commentaries. Legal interpretation is then conducted using various interpretive techniques. First, grammatical interpretation examines the ordinary meaning of statutory language, such as "good corporate governance," "prudent," "good faith," "conflict of interest," and "not legally liable." Second, systematic interpretation reads individual provisions in relation to the broader structure of an amended statute. Third, the teleological interpretation considers the evident legislative objectives of enhancing governance, optimizing state assets, and allowing rational business decisions. Fourth, comparative conceptual interpretation places Indonesian provisions alongside the broader doctrine of BJR and SOE governance principles recognized internationally.

Therefore, the research object is normative and institutional rather than statistical. The unit of analysis is not the individual BUMN performance but the legal governance framework applicable to BUMN after the 2025 amendment. Within that framework, this study focuses on the relationship between process and liability norms. Process norms are represented by the GCG principles of transparency, accountability, responsibility, independence, and fairness. Liability norms are represented by BJR-type safe-harbor standards requiring proof that a loss was not caused by fault, that management was carried out in good faith and prudence, that no conflict of interest existed, and that no unlawful private benefit was obtained. The study's analytical premise is that these two clusters of norms must be read together, rather than separately.

The validity of the research was pursued through source triangulation and interpretive consistency. Source triangulation was achieved by comparing the statutory text with explanatory and analytical materials from multiple sources discussing the same reform, including official legal databases, governance commentary, and doctrinal analysis. Interpretive consistency is maintained by grounding every major inference in the text of the law or in a secondary commentary directly related to that text. This study avoids overclaiming beyond the available materials; for example, it does not assert implementation outcomes that would require field interviews or longitudinal financial data.

The scope of this research is limited in several ways. First, because the amendment is relatively recent, this study does not evaluate extensive judicial practice or a large body of implementing regulations. Second, it does not examine all provisions of the amended law in equal depth but selects those most relevant to GCG and BJR in governance. Third, although this study discusses policy and institutional implications, it remains a legal-normative study rather than a performance audit or empirical impact evaluation. These limitations do not reduce the study's value; rather, they define its contribution as an early, structured, and comprehensive legal interpretation of the issue.

The research stages are summarized as follows. First, the text of the 2025 amendment was identified and extracted from official and accessible legal repositories in Brazil. Second, statutory innovations relevant to governance and liability were mapped article by article. Third, secondary legal and policy materials were reviewed to capture the reform's emerging interpretations. Fourth, the findings were synthesized into thematic categories and arranged in descriptive tables. Fifth, the interaction between the GCG and BJR was normatively analyzed to determine whether the amended law supports a balanced governance framework for BUMN. This staged qualitative process ensures that the article moves from textual identification to doctrinal analysis, and then to governance evaluation.

From a legal research perspective, the significance of this method lies in its suitability for newly amended legislation. When a law has just changed, empirical outcomes may still be limited, but doctrinal interpretation becomes crucial because it shapes how the law will be implemented by ministries, boards, auditors, regulators, law enforcement agencies, and courts. Therefore, a careful qualitative analysis can function as an early interpretive map that supports legal certainty and academic debate. In the present case, the method is especially useful because the 2025 amendment reorganizes not only institutional structures but also the conceptual relationship between state ownership, corporate autonomy, and liability risk in SOE governance in China.

To support analytical clarity, this study used several qualitative indicators in the results section. These indicators are not numerical variables in the positivist sense but rather structured dimensions of legal assessment: legal basis, governance function, accountability mechanism, risk-control mechanism, and BJR relevance. Using these dimensions, the study constructs tables that show how the amendment operationalizes GCG and where the BJR protection is activated. A simple chart is also included to illustrate the governance relationship among the President, Minister, new management body, investment holding, operational holding, and BUMN. The chart is interpretive and explanatory rather than empirical and is designed to help readers visualize the post-amendment governance architecture.

In summary, the research method combines doctrinal precision with a governance-oriented interpretation. This study is qualitative because it seeks to understand the legal meaning, institutional logic, and normative implications. It is comprehensive because it integrates statutory provisions, governance theory, the BJR doctrine, and policy context into a unified analysis. This methodological design is appropriate for assessing how the 2025 amendment reshapes BUMN governance and for determining whether the combined use of GCG and BJR can produce a more accountable yet commercially functional SOE sector in Indonesia.

RESULT & DISCUSSION

The results of this study show that Law Number 1 of 2025 significantly restructures the governance model of Indonesian BUMN by making GCG a statutory principle, clarifying the status of BUMN capital and losses, and strengthening the BJR-oriented liability framework within a newly layered institutional architecture. Rather than treating corporate governance as a subsidiary managerial concern, the amended law moves it to the center of SOE administration. The legal text indicates that GCG is no longer merely an aspirational administrative standard but a positive normative foundation for the exercise of ownership rights, asset management, investment decisions, supervision, and accountability.

The first major result is the explicit codification of GCG in Article 1A. The law states that the administration of BUMN is grounded in economic democracy and includes good corporate governance as one of its principles. It then lists the elements of GCG as transparency, accountability, responsibility, independence, and fairness. This provision is important because it creates a direct legal bridge between governance theory and the enforceable statutory design. Therefore, every subsequent institutional reform introduced by the amendment can be assessed against these five governance criteria.

The second major result concerns institutional differentiation. The amendment creates a distinction between the President’s overarching authority, the Minister’s role as regulator and holder of special A-series state shares, the new SOE management body responsible for BUMN management, and the investment and operational holdings responsible for more specific corporate functions. This layered structure is intended to separate policy-making, supervision, portfolio management, and operations. From a governance perspective, the structure promises clearer accountability channels than an undifferentiated centralized model, although it also creates additional coordination demand.

The third result is the strengthening of process-based protection for business decisions. The statute protects relevant actors from legal responsibility for losses if they can prove four conditions: the loss was not due to their fault or negligence, management was undertaken in good faith and with prudence, there was no direct or indirect conflict of interest, and no unlawful personal gain was obtained. These conditions mirror the core BJR elements recognized in corporate law doctrine. Thus, the amendment moves closer to a conduct-based liability standard rather than an outcome-based presumption of wrongdoing.

The fourth result concerns the legal treatment of capital and loss. The amended law provides that capital originating from state participation becomes BUMN property under BUMN responsibility and that gains or losses experienced by BUMN are gains or losses of BUMN. This formulation is highly relevant for governance because it supports a more corporate understanding of commercial risks. Simultaneously, the law preserves state oversight through special share rights, ministerial governance authority, and BPK review over the new body’s financial management.

These results can be systematized in the following table.

Table 1. Core Governance Changes in the 2025 Amendment

No.	Statutory focus	Main provision	Governance implication	Relevance to GCG/BJR
1	Foundational principle	Article 1A inserts GCG into BUMN administration and specifies transparency, accountability, responsibility, independence, and fairness.	Governance principles become statutory standards, not merely policy preferences.	Strong GCG codification.
2	State ownership architecture	President retains overall power; Minister acts as regulator and holder of special A-series shares.	Clarifies strategic ownership and regulatory direction	Supports accountability and structured oversight

No.	Statutory focus	Main provision	Governance implication	Relevance to GCG/BJR
3	New management body	Creation of Badan Pengelola Investasi Daya Anagata Nusantara for BUMN management.	Separates management and investment functions from ordinary ministerial administration.	Supports independence and professionalization, but requires safeguards.
4	Holding structure	Establishment of investment and operational holdings.	Distinguishes portfolio/investment logic from operational supervision.	Enhances organizational clarity under GCG.
5	Asset governance	BUMN assets and body assets must be managed using good governance, accountability, and transparency.	Embeds governance in asset administration and stewardship.	Direct GCG operationalization.
6	Liability standard	No legal liability for losses when no fault, good faith, prudence, no conflict, and no unlawful gain can be proven.	Shifts review from loss outcome to quality of decision-making conduct.	Explicit BJR-style protection.
7	Capital and losses	BUMN capital is BUMN property; gains/losses are BUMN gains/losses.	Strengthens corporate risk characterization and legal certainty.	Reinforces BJR compatibility.
8	Oversight mechanisms	Supervisory board, committees, reports, KPI review, BPK examination, special share rights.jdih.	Multi-layered oversight remains central despite managerial protections.	Prevents BJR from becoming blanket immunity.

Table 1 shows that the amendment follows a patterned governance logic rather than an isolated reform. Each major institutional innovation has a corresponding governance function and an identifiable connection to GCG, BJR, or both. This indicates that the law is designed to link managerial discretion with governance discipline rather than choosing one at the expense of the other.

A more detailed result emerges when the GCG principles are mapped to statutory provisions. The amended law does not merely define GCG abstractly; it embeds each principle in the different components of the governance architecture.

Table 2. Mapping GCG Principles to Post-Amendment BUMN Governance

GCG principle	Relevant provision(s)	Operational expression	Analytical note
Transparency	Article 1A; reporting and budget approval provisions; access rights through special shares.	Reporting, consultation with DPR-related organs, access to documents, structured disclosure in planning and	Transparency supports later BJR review because the decision trail becomes auditable.

GCG principle	Relevant provision(s)	Operational expression	Analytical note
		accountability	
Accountability	Supervisory board review, KPI evaluation, annual reports, BPK examination.	Decision makers must justify actions through institutional reporting lines.	Accountability cabins managerial discretion without eliminating it.
Responsibility	Compliance with statutory objectives, lawful asset management, prudential conduct.	Decisions must align with BUMN purposes and legal obligations.	Responsibility is the substantive counterpart of BJR's good-faith requirement.
Independence	Professional qualification requirements, conflict-of-interest restrictions, kinship prohibitions.	Actors are expected to decide free from improper influence and personal interest.	Independence is essential for credible BJR protection.
Fairness	Governance design and stakeholder-oriented treatment within public enterprise management	Balance between state, company, public interest, and other stakeholders.	Fairness prevents narrow shareholder formalism in SOE governance.

Table 2 demonstrates that the GCG in the amended law operates as a distributed normative framework. It is not confined to a single article or organ. Instead, it shapes reporting structures, appointment standards, committee systems, access to information, asset governance and evaluation processes. This supports the finding that GCG is intended to be the organizing logic for the post-amendment BUMN system.

The study also finds that the BJR in the amended framework is best understood as conditional legal protection, not substantive immunity. The doctrine becomes operative only after a process-based inquiry into the fault, prudence, conflict of interest, and private gain. This can be represented in the following analytical table:

Table 3. Elements of Business Judgment Rule Protection in the 2025 SOE Framework

BJR element	Statutory expression	Governance meaning	Consequence
Absence of fault/negligence	Loss is not due to actor's fault or negligence.	Liability depends on misconduct, not mere adverse outcome.	Failed decisions are not automatically unlawful.
Good faith	Management	Honest pursuit of	Protects sincere

BJR element	Statutory expression	Governance meaning	Consequence
	conducted with good faith.	institutional interest is required.	managerial judgment.
Prudence	Decisions taken with due care and caution.	Decision process must be informed and responsible.	Reckless decisions remain exposed to liability.
No conflict of interest	No direct or indirect conflict in the decision.	Disinterested decision making is mandatory.	Self-dealing falls outside BJR protection.
No unlawful private benefit	No unlawful personal gain obtained.	Anti-corruption boundary is preserved.	BJR cannot shield hidden enrichment. <i>emedia</i> .

Table 3 confirms that the amended law's BJR orientation is inseparable from the governance process standards. The conditions for protection closely overlap-with the substantive content of the GCG. For example, prudence corresponds to responsibility, conflict-free judgment corresponds to independence and fairness, and documentary justification corresponds to accountability and transparency. Thus, the results support the analytical proposition that GCG and BJR function as mutually reinforcing norms.

Another important result concerns the amendment's treatment of state ownership and corporate autonomy. The law preserves the state's strategic rights through special A-series shares, including rights related to approval, access to data, strategic guidelines, and the appointment of directors and commissioners subject to presidential approval. However, it simultaneously emphasizes that BUMN capital is BUMN property and that BUMN gains and losses are corporate, not automatically state gains and losses. The combined effect is a hybrid model: the state retains strategic steering power, while the enterprise is recognized as a distinct corporate bearer of assets, liabilities, and business risk.

This hybrid model is visible in the allocation of governance techniques to the three pillars. Strategic policy remains strongly linked to the state through the President and Minister. Operationalization and portfolio management have shifted toward corporate-style bodies with professional membership requirements, committees, and internal governance processes. This suggests that the legislature is trying to create a governance environment in which the state governs through structured ownership and policy instruments rather than constant intervention in each commercial decision.

Further, the amendment introduces built-in anti-abuse safeguards that are doctrinally important for legitimizing the BJR. The qualification criteria require relevant expertise, age limits, legal capacity, and the absence of criminal or bankruptcy disqualification for members of the new body and the investment holding's leadership. Kinship restrictions and conflict-of-interest norms attempt to reduce nepotism and insider influences. Committee requirements, including an investment committee and a risk management committee, provide procedural checks before major decisions are made. These safeguards matter because BJR is credible only when the surrounding governance system is capable of producing responsible business judgments in the first place.

The results also indicate several implementation risks exist. First, the law relies heavily on subsequent regulations to elaborate on governance standards, appointment procedures, detailed liability boundaries, and technical controls. Second, the existence of multiple centers of authority may create ambiguity if the mandates overlap or the reporting lines are not clearly sequenced. Third, broad references to good faith and prudence require interpretive discipline by auditors, courts, and law enforcement agencies; otherwise, protection may be either underapplied due to fear of loss or overapplied as a shield against scrutiny. Thus, while the normative design is stronger than before, its practical value depends on downstream institutional interpretation.

To consolidate the findings, this study formulates an interpretive matrix linking governance problems to the amendment's solutions and residual risks.

Table 4. Governance Problem–Solution Matrix After the 2025 Amendment

Pre-amendment governance problem	Reform response in Law No. 1/2025	Expected benefit	Residual risk
GCG treated as soft governance norm	GCG expressly codified in Article 1A.	Stronger legal basis for governance review.	May remain symbolic without implementing standards.
Fear of criminalization of business losses	BJR-like liability conditions and clarification of BUMN gains/losses.	Greater managerial confidence in lawful risk-taking.	Misreading as immunity may weaken deterrence.
Overlap of regulatory and operational roles	Separation into Minister, management body, investment holding, operational holding.	Better role clarity and professionalization.	Coordination complexity and renewed centralization risk.
Weak process controls for strategic investment	Mandatory governance organs and committees.	Improved ex ante scrutiny and risk management.	Committee formalism without substantive independence.
Ambiguity over status of state capital in BUMN	Capital and loss provisions clarify corporate ownership/responsibility.	Stronger legal certainty for corporate acts.	Tension with public finance and anti-corruption interpretations.
Political influence and nepotism concerns	Professional criteria and kinship restrictions.	Increased institutional independence.	Appointment politics may still shape outcomes indirectly.

Table 4 shows that the 2025 amendment is reformist but not self-sufficient. It addresses many recurrent governance problems, yet each solution carries residual risk. This confirms that the law should be understood as a framework for better governance, not as a final guarantee of it.

Taken together, the results support the four synthesized findings. First, the amendment constitutionalizes and corporatizes SOE governance simultaneously by retaining state strategic control while embedding corporate governance principles more firmly in the statutory text. Second, the amendment reorients liability analysis from corporate loss alone to the quality of decision-making conduct, thereby strengthening BJR logic in the SOE setting. Third, the new institutional arrangement seeks to align Indonesia's SOE governance more closely with professional and internationally influenced ownership models. Fourth, the success of the framework depends on the implementation quality, especially documentation, internal control, supervisory independence, and careful interpretation by oversight and enforcement bodies.

These findings provide a foundation for the discussion that follows. They show that post-amendment BUMN governance in Indonesia can no longer be adequately described through the old dichotomy between state control and corporate autonomy. The law now constructs a mediated model in which the GCG supplies the architecture of lawful governance and the BJR provides the liability logic for protecting commercially

rational decisions made within that architecture.

Discussion

The results indicate that the post-2025 governance regime for Indonesian BUMN should be interpreted through a process-outcome distinction. Good Corporate Governance primarily disciplines the decision-making process, whereas the Business Judgment Rule primarily shapes the legal evaluation of outcomes after decisions are made. This distinction is analytically useful because it explains why the two doctrines are complementary rather than competing. The GCG asks whether the decision was produced through transparent, accountable, responsible, independent, and fair procedures; the BJR asks whether, despite a loss, the decision-maker should be protected because the process was lawful, prudent, and free from self-interest (Andika et al., 2021).

This relationship is significant in the governance of BUMN because these enterprises sit at the intersection of market uncertainty and public scrutiny. In private corporations, failed investments are often absorbed as ordinary commercial risks unless fraud or a breach of duty is shown. However, in BUMN, the same failed investment may be viewed through a public-law lens because the enterprise manages assets linked to the state and public welfare. This difference has historically produced a culture of defensive management in which directors and commissioners may avoid bold but rational decisions because of fear of later investigation. The 2025 amendment appears to be designed to mitigate this chilling effect without abandoning oversight.

From a doctrinal standpoint, the codification of GCG in Article 1A is more than symbolic. It creates a statutory standard against which internal governance design and managerial conduct can be measured. When the law expressly lists transparency, accountability, responsibility, independence, and fairness, it invites courts, auditors, ministries, and boards to evaluate whether governance procedures meet these elements. This reduces reliance on vague appeals to “best practice” and supplies a more authoritative legal vocabulary for the field. For academic analysis, it also supports the argument that GCG has moved from soft governance discourse into hard law within the SOE context (Qiu, 2022).

The strengthening of the BJR must be interpreted in the same normative environment. The statute does not state that directors, ministers, or other governance actors are immune whenever a business decision fails. Rather, it requires proof of specific exculpatory conditions: no fault or negligence, good faith, prudence, no conflict of interest, and no unlawful private gain. This evidentiary and conduct-based formulation is crucial in this context. This means that BJR protection is conditional upon the quality of governance behavior, not merely the official capacity of the actor. In other words, the rule rewards disciplined judgment rather than, institutional position.

This reading helps answer an important criticism often directed at the BJR in public enterprise settings: that it may obscure accountability. This criticism is valid if the BJR is framed as a broad immunity doctrine. However, the amended law, properly interpreted, does not support such an approach. The listed conditions essentially internalize the GCG values. A transparent process makes it easier to establish how and why a decision was made. Accountability structures ensure that someone can explain it. Responsibility requires alignment with institutional purpose and law. Independence screens out improper influence. Fairness prevents abuse against stakeholders. BJR protection only becomes normatively defensible when these governance conditions are materially satisfied does BJR protection become normatively defensible (Ambarwati et al., 2023).

The new institutional architecture reinforces this interpretation of the relationship. By separating the Minister’s role as a regulator from the management body’s role in BUMN administration and from the holdings’ operational and investment roles, the amendment attempts to reduce role confusion. In theory, this separation can improve governance because each organ can be assessed according to a more specific mandate than before. The Minister sets the policy and governance direction; the management body handles portfolio management and capital optimization; the holdings operationalize investment and business oversight; and BUMN remains a corporate vehicle with its own organs and responsibilities. This is consistent with global SOE governance thinking that ownership and regulation should not collapse into one opaque chain.

However, the discussion must also recognize the reform’s ambiguity. Formal institutional differentiation does not automatically produce substantive independence. The President still retains broad authority, the Minister still exercises powerful strategic rights through special shares, and the new body remains a state-

owned legal entity with leadership appointments tied to the executive authority. Therefore, the governance quality of the system depends on whether institutional separation is respected in practice. If policy actors continue to intervene informally in corporate decisions, the promised gains of professionalization and BJR protection may be undermined because genuine business judgment requires not only ex post legal protection but also ex ante decisional space (Mazikana & Kudzai Mabenge, 2023).

This is especially visible in the concept of independence. In the SOE context, independence cannot mean detachment from the state altogether; that would contradict the nature of BUMN. Instead, independence should be interpreted functionally: corporate and governance actors must be able to exercise reasoned judgment without improper political pressure, nepotistic influence or undisclosed personal interest. The qualification standards, tenure rules, conflict restrictions, and kinship prohibitions introduced by the amendment support this functional view of judicial independence. However, these formal safeguards are only as effective as the appointment culture and enforcement standards that accompany them are.

Another issue is the recharacterization of capital and losses. By stating that the state capital injected into BUMN becomes BUMN property and that BUMN gains and losses are BUMN gains and losses, the amendment seeks to strengthen the company-law understanding of BUMN as a separate legal entity capable of bearing commercial risk. This is a decisive move for the BJR. If every loss suffered by a BUMN is automatically treated as a direct state financial loss, then any unsuccessful commercial action could easily be reframed as a public loss, regardless of the quality of the decision-making process. Such a framework would neutralize the practical effects of the BJR. Therefore, the amended provisions help restore the distinction between legitimate corporate risk and unlawful asset dissipation.

However, this distinction should not be exaggerated. The corporate characterization of BUMN capital does not eliminate the public dimension of SOE governance. The state still maintains special ownership rights, the BPK still examines the new body's financial accountability, and public law values still shape the objectives of BUMN, especially in strategic sectors and public services. Consequently, the appropriate interpretation is not full privatization of legal reasoning, but calibrated corporatization: BUMN are treated more like enterprises for purposes of commercial risk and decision-making, while still remaining subject to structured public accountability (Harahap, 2020).

This calibrated corporatization helps explain why committees and internal control structures in the amendment are important. The law requires at least one investment committee and one risk management committee within the new body. These committees should be understood as procedural infrastructures of the BJR. They generate records, internal debate, expert input, and risk assessment, all of which later help demonstrate that a decision was informed and prudent. In practical terms, BJR is rarely sustainable without proper documentation. Courts and auditors cannot abstractly infer good faith or prudence; they need minutes, memos, due diligence, feasibility analysis, risk matrices, and conflict disclosures. Thus, one of the most important practical implications of the amendment is the elevation of governance documentation from administrative formalities to liability-relevant evidence.

The discussion also reveals a potential interpretive challenge for law enforcement institutions. Anti-corruption logic often operates with understandable suspicion of losses involving state-linked entities. However, the amended law indicates that not every loss triggers liability. Oversight bodies must distinguish among at least three categories: lawful business risks, negligent mismanagement, and corrupt or self-interested abuse. Lawful business risks should be protected when BJR conditions are met. Negligent mismanagement remains actionable because the BJR does not protect against fault or imprudence. Corruption and illicit enrichment remain outside BJR protection, as the statute expressly excludes decisions involving conflicts of interest or unlawful personal benefits.

This tripartite distinction is essential to ensure legal certainty. Without it, BUMN governance may oscillate between two dysfunctional extremes. On one side lies over-criminalization, where managers become risk-averse and innovation declines. On the other hand, accountability dilution occurs when public officials and managers invoke business judgment to avoid scrutiny. The amended law attempts to avoid both extremes by anchoring protections in governance quality. Whether this attempt succeeds will depend on whether enforcement institutions resist hindsight bias and examine the decision context that existed when the choice was made.

The reform also has implications for board culture and performance management. Because the amended

law emphasizes key performance indicators, annual reporting, supervisory review, and strategic guidance, BUMN governance after 2025 should move toward a model in which performance evaluation is linked to a documented strategy rather than a simple ex post financial outcome. A decision that produces short-term losses may still be justified if it is consistent with the approved strategy, supported by due diligence, proportionate to risk appetite, and aligned with the company's lawful objectives. Conversely, a superficially profitable decision may violate GCG if it conceals conflicts, distorts reporting, or undermines long-term corporate responsibility. Thus, the reform encourages a more sophisticated understanding of managerial accountability.

From a comparative perspective, Indonesian reform resembles broader trends in SOE governance that seek to professionalize state ownership while reducing ad hoc intervention. The presence of special share rights, professional qualification requirements, committees, and differentiated roles between the regulator and manager reflects an attempt to align domestic governance with internationally discussed best practices. However, Indonesia's model remains distinct because BUMN are embedded in the constitutional framework of economic democracy and strategic development. Therefore, imported doctrines such as the BJR cannot simply be copied from private corporate law; they must be domesticated within the normative setting of public welfare and separated state assets.

This is precisely where GCG becomes indispensable. The GCG translates the general values of responsible corporate governance into the specific setting of BUMN. This ensures that professional discretion serves institutional purposes rather than private opportunism. In this sense, the GCG is the normative grammar of BJR within the public enterprise context. Without the GCG, the BJR would appear alien or overly permissive; with the GCG, the BJR becomes a rational instrument for enabling professionally managed state enterprises.

However, several unresolved issues remain. The amended law leaves significant details for implementing regulations, including technical governance rules, appointment procedures, and possibly standards for performance and reporting. This means that the practical balance between the GCG and the BJR is not fully settled by the statute itself. There is also the question of judicial methodology: courts and oversight institutions must develop a consistent test to distinguish prudent risk-taking from negligence. Without interpretive consistency, the promise of legal certainty remains incomplete.

The final discussion point concerns the symbolic function of the amendment. Beyond its doctrinal content, the law sends governance signals. It tells BUMN managers that commercial decision-making is expected, but must be disciplined by the governance process. This informs regulators and auditors that losses are not self-evident evidence of wrongdoing. It tells the public that accountability remains central, but should be focused on conduct, integrity, and organizational controls, rather than the mere fear of risk. In this sense, the amendment is both a legal reform and governance narrative shift.

Accordingly, the discussion supports the article's central thesis: the 2025 amendment reconstructs the governance of Indonesian BUMN through an integrated model in which GCG supplies the ex ante architecture of responsible corporate administration, and BJR supplies the ex post doctrine of liability restraint for commercially rational decisions taken within that architecture. The model is normatively promising because it responds to Indonesia's longstanding tensions between public accountability and business efficacy. However, its ultimate success will depend on professional appointments, high-quality documentation, implementing regulations, disciplined oversight, and a shared institutional understanding that the legality of business judgment must be assessed through process, not hindsight alone.

CONCLUSION

The 2025 amendment to the Indonesian SOE Law materially strengthens the governance basis of BUMN by explicitly codifying Good Corporate Governance and reinforcing a BJR-oriented liability standard within a restructured ownership and management architecture. The amendment clarifies that BUMN governance must observe transparency, accountability, responsibility, independence, and fairness, while also protecting decision-makers from liability for losses where there is no fault, decisions are made in good faith and prudence, no conflict of interest exists, and no unlawful private gain is obtained. These changes indicate a shift from outcome-centered suspicion to process-centered evaluation in the governance of separated state assets. Normatively, the interaction between GCG and BJR should be considered complementary. The GCG defines a lawful decision-making environment, and the BJR protects decisions generated within that environment

from hindsight-based punishment. Therefore, the reform offers a more balanced framework for BUMN management, one that seeks to preserve accountability without paralyzing commercially necessary risk-taking. However, its effectiveness depends on implementing regulations, reliable internal controls, independent supervision, complete documentation, and consistent interpretation by auditors, courts, and law enforcement institutions. In that sense, Law Number 1 of 2025 is best understood as a strong governance framework, whose success will be determined by institutional practice rather than legislative text alone.

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