



The Compliance of Limited Liability Companies to Conduct Annual General Meeting of Shareholders

David Tan¹, Debby Amellya Zahdjuki²

^{1,2}Faculty of Law, Universitas Internasional Batam, Indonesia

¹The Dickson Poon School of Law, King's College London, United Kingdom

*Corresponding email: 2051062.debby@uib.edu

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Abstract

The presence of the Company Law in Indonesia is a form of the government's special attention to the Company as one of the pillars of Indonesia's national economic development. Some regulations in the Company Law are recommendations, but some are orders that must be implemented. One of them is the agenda of the Annual General Meeting of Shareholders which is regulated in Article 78 paragraph (2) of the Company Law as a mandatory activity that has been neglected by the closed Companies. The Purposive sampling technique is used in this juridical-empirical research supported by interviews with several companies' organs. The authors present the results of the research in descriptive form supported by analysis using the theory of legal effectiveness from Soejono Soekanto and the theory of sociological jurisprudence from Eugen Ehrlich. Through this research, the authors found a lack of information received and a low understanding by business actors especially in the obligations of the Annual General Meeting of Shareholders. This makes business actors underestimate the Annual General Meeting of Shareholders. Actually, it has a good influence on the Company in financial transparency and accountability for the performance of the Board of Directors and Board of Commissioners of the Company to shareholders. Government contributions are needed through various relevant institutions, such as the Ministry of Law and Human Rights of the Republic of Indonesia and Notary Public to implement the Annual General Meeting of Shareholders as mandated in the Company Law.



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A. INTRODUCTION

The economic sector is closely related to the developing business sector in the country. The business world gave rise to various systems for establishing cooperative relationships (Hermanto & Diani, 2022). The existence of a company becomes a physical manifestation of the business's existence in the public's eyes (Hermanto & Diani, 2022). Based on legal literature, business activities in Indonesia are divided into two types, namely incorporated business activities and unincorporated business activities (Lestari & Kurniawan, 2020). A type of incorporated business activity known and used by the public in Indonesia is a Limited Liability Company, which will subsequently be known as the Company

(Lestari & Kurniawan, 2020). Laws that become a form of protection and official guidelines regarding procedures for running a Company in Indonesia are contained in Law Number 40 of 2007 concerning Limited Liability Companies, which will hereinafter also be known as Company Law. The Company Law is a form of government attention to the Company in Indonesia as one of the national economy's pillars that was mandated in Article 33 of the State Constitution Republic of Indonesia in 1945 or which will hereinafter also be referred to as the UUD 1945. The government's concern regarding the importance of the Company's contribution to Indonesia's economy is also evidenced by the renewal of several regulations in the Company Law through the existence of the Law Number 6 of 2023 concerning Job Creation. The law's purpose is to protect various parties involved in the Company's activities, especially protection for the Company's organs themselves (Sinaga, 2018). The laws that are required in the Company designed by the government provide protection to the public as business actors and as organs of the Company. One of them is that the Company protects the founders and shareholders from extraordinary losses that may occur with a liability system that is limited to the amount invested in that Company (Manalu et al., 2021) and through the role of the Annual General Meetings of Shareholders that regulated in Article 78 paragraph (2) of the Company Law.

The Company is essentially defined as a capital partnership divided into shares through an agreement between two or more parties by carrying out certain business activities specified in the agreement (Pangestu & Aulia, 2017). The agreement is stated to be made in writing and in the form of an authentic deed that has the perfect proving legal force (Syahrullah & Nasrullah, 2020). A Company from a legal point of view has a contractual and consensual nature, which is formed from an agreement that has been agreed and binds the parties as a part of the Company (Syahrullah & Nasrullah, 2020). The Company in legal science is classified as a legal subject (Pangestu & Aulia, 2017). This allows the Company to take the same legal acts as those carried out by human who is also legal subject (Pangestu & Aulia, 2017). The existence of the Company's representative organs becomes vital part for the Company in carrying out its duties, obligations, and responsibilities as a legal subject (Sinaga, 2018). The Company's activities both inside and outside the Company are carried out by the Company's organs. The composition of the Company's organs consists of three parts. There are the Board of Directors, the Board of Commissioners, and the General Meeting of Shareholders (Hermanto & Diani, 2022). Each organ of the Company has functions, duties, and responsibilities. The Board of Directors functions to represent the Company in managing and carrying out the Company's business activities (Setyarini et al., 2020). The Board of Commissioners oversee the Company's business activities that are carried out by the Directors (Sariwati, 2022).

Functions, duties, and responsibilities that are not given to the Board of Directors and the Board of Commissioners become the authority of the General Meeting of Shareholders (Manalu et al., 2021). The General Meeting of Shareholders is a forum for the Company's founders and shareholders in obtaining and questioning the accountability and responsibility of the Board of Directors and the Board of Commissioners (Ernawati & Abdullah, 2021). One of them is the Company Law regulating the existence of the General Meeting of Shareholders and its obligations. The General Meeting of Shareholders in a Company is divided into two types: the Annual General Meeting of Shareholders and the Extraordinary General Meeting of Shareholders (Ernawati & Abdullah, 2021). The type of General Meeting of Shareholders and its explanation is contained in Article 78 of the Company Law. As the name implies, Article 78 paragraph (2) of the Company Law places the Annual General Meeting of Shareholders as a mandatory agenda. Likewise, the existence of Extraordinary General Meetings of Shareholders can be held at any time when needed based on the needs of the Company (Hermanto & Diani, 2022). Article 78 paragraph 2 of the Company Law also confirms that the mandatory to hold an Annual General Meeting of Shareholders must be carried out no later than six (6) months after the end of the company's financial year. The word "mandatory" regarding the Annual General Meeting of Shareholders contains an order. The Indonesian Dictionary interprets the word "mandatory" as something that should be done or appropriate that should not be implemented (Badan Pengembangan dan Pembinaan Bahasa, n.d.). The mandatory of the Annual General Meeting of Shareholders in the Company Law is also strengthened in the regulation of the Company's articles of association (Yusanti et al., 2022).

The public as business actors establishes a Company is motivated by the business that they are in to make the greatest profit from the amount they have invested in the Company. The community does not know specifically about the laws related to the Company. The Company's organs' knowledge about the Company Law for their performance in the Company through the Annual General Meeting of Shareholders on practice in the community is still an important concern, especially for a Closed Companies (Hermanto & Diani, 2022). As the preliminary study, the authors have asked several of the Board of Directors and the Board of Commissioners of the Company some simple questions regarding the duties and responsibilities of the Company's organ and the mandatory agenda of the Annual General Meeting of Shareholders. Their point of view is that the Company is a forum to develop their business activities, and they have never known the mandatory agenda of the Annual General Meeting of Shareholders. It has provided an initial overview of the Company's practice in the public that is not following the original purpose of the Company Law. The Company is only to achieve certain targeted profits without the proper evaluation and supervision of performance can be a ticking time bomb for the continuity of the Company

(Supriyatin & Herlina, 2020). The limited liability system that can be a protector for the Company's organs becomes only a mere theory and backfires for Company's organs (Pangesti, 2021). The Company's obligation to hold an Annual General Meeting of Shareholders as a form of carrying out the Indonesian national economy's principles and good corporate governance principles, such as transparency and accountability in managing the Company to shareholders is questionable (Indrapradja, 2019).

The view that the Company exists as one of the pillars of national economic development becomes an important factor to look back at the law on the legal basis of the Annual General Meeting of Shareholders as one of the Company's mandatory agenda, such as the reason it didn't work as it should. The worst condition that may occur in the Company that intentionally or unintentionally chooses not to hold an Annual General Meeting of Shareholders is a part that needs to be known and becomes an important consideration for the Company's organs in carrying out the concept of fiduciary duties (Setyarini et al., 2020). Estinna Darmawan Hermanto in her research in early 2022 on "Legal Consequences for Closed Limited Liability Companies That Do Not Hold the Annual General Meeting of Shareholders" saw the important side of the existence of an Annual General Meeting of Shareholders in a Company using normative juridical research. Suwinto Johan dan Ariawan in their 2020 research on "Accountability of the Directors After Acquit and Discharge" also looked at the role of the Annual General Meeting of Shareholders, but specifically discussed the public companies by using the normative juridical research. Using normative juridical research methods, the results of the analysis of their articles saw the non-implementation of the Annual General Meetings of Shareholders in terms of things that have been regulated in the Company Law by describing the regulations and procedures proclaimed in the Company Law regarding the Annual General Meetings of Shareholders. They did not analyze in depth the reasons behind the non-implementation of the Annual General Meetings of Shareholders arrangements in the Company Law.

The results of the analysis of Estinna Darmawan Hermanto and also Suwinto Johan and Ariawan regarding the regulations of the Annual General Meetings of Shareholders for the Company are one of the references in this writing. As an element of novelty from the authors' point of view, it is also important to analyze deeply by using empirical juridical research to see the facts as the reasons behind the ineffective enforcement of the Annual General Meeting of Shareholders in the Company Law. There must be a reason about the existing arrangements related to the Annual General Meetings of Shareholders are not carried out properly by the community as business actors. The views of business actors as parties that implement these regulations become an element of novelty that will be analyzed by the authors. The regulation in Company Law that already exists but is not

known by the community as the Company's organs make the Company Law didn't work as it should.

B. RESEARCH METHOD

The type of research used in this research is empirical juridical research. Empirical juridical research also be known as sociological legal research. Empirical juridical research is the type of legal research that looks for the facts related to the problems that will be discussed in this research (Benuf & Azhar, 2020). This research will be in the form of qualitative research. The results and discussions will be presented in a qualitative descriptive form obtained from the results of the interview with several of the Board of Directors and the Board of Commissioners of the Company in the City of Batam, Indonesia as the primary data. The selection of the Board of Directors and the Board of Commissioners in this interview used purposive sampling techniques. The purposive sampling technique is a nonprobability sampling technique (Denieffe, 2020). The use of this sampling technique is intended for the selection of special samples in accordance with the objective of this study to answer the problems being discussed (Denieffe, 2020). In addition, the results and discussions are also obtained through literature studies of laws from the regulations and previous journals that are relevant to this research. Every legal research, including empirical juridical research, requires literature studies as a connector with the primary data in their research (Tan, 2021). The regulation used in this research is Number 40 of 2007 concerning Limited Liability Companies, which will hereinafter also be known as Company Law. This research will use the theory of legal effectiveness proposed by Soejono Soekanto (Azzahra, 2020) as a guideline in answering the effectiveness of the implementation and the theory of sociological jurisprudence proposed by Eugen Ehrlich (Hadi, 2017) for providing the solution to the Company's Annual General Meeting of Shareholders in the City of Batam, Indonesia.

C. RESULTS AND DISCUSSIONS

Set Up of The Company General Meetings of Shareholders Regulation

Article 33 of UUD 1945 as a constitutional foundation indirectly mandates the government's special attention to the national economy. Article 33 paragraph (1) and paragraph (4) of UUD 1945 contains an outline of the characteristics of the Indonesian nation's national economy. The manifestation of the mandate contained in the UUD 1945 is the existence of laws as guidelines and a solid foundation for the business climate in Indonesia. The Company Law exists as a manifestation of creating a conducive business climate and national economic development (Tyaswati & Widyorini, 2022). This is because the Company is one of the pillars of national economic development (Tyaswati & Widyorini, 2022). So laws must always be able to adapt to the times with all the sophistication of science

and technology. That was one of the reasons for the changes to the existing Company Law in Indonesia, from Law Number 1 of 1995 concerning Limited Liability Companies that changed to Law Number 40 of 2007 concerning Limited Liability Companies. This renewal of the Company Law remains with the same purpose and definition of the Company; but is much more detailed regarding the regulation of obligations, responsibilities, and rights of the parties involved in the Company.

The definition of Company in Article 1 point 1 of the 1995 Company Law defines a Company as a legal entity established based on an agreement to carry out certain business activities in which the Company's authorized capital is converted into shares, and the existence of the Company must meet the requirement stipulated by the Company Law and other implementing regulations. Article 1 point 1 of the 2007 Company Law still holds the same definition as the 1995 Company Law regarding the Company itself. However, the 2007 Company Law further emphasizes that the Company as a legal entity is a capital partnership. The capital partnership here confirms that the establishment of a Company is based on capital collection carried out by various parties hereinafter referred to as the founders. The capital collection is through the purchase or selling transactions of the Company's shares (Manalu et al., 2021).

The existence of the General Meeting of Shareholders as one of the important organs in a Company broadly has the same laws between the 1995 Company Law and the 2007 Company Law. One of them is about the type of General Meeting of Shareholders itself. Article 65 paragraph (1) of the 1995 Company Law differentiates General Meetings of Shareholders into two (2) types, namely Annual General Meeting of Shareholders and Extraordinary General Meeting of Shareholders. The same is also stated in Article 78 paragraph (1) of the 2007 Company Law. The difference can be seen in the definition of the Annual General Meeting of Shareholders. Article 65 paragraph (2) of the 1995 Company Law defines an Annual General Meeting of Shareholders as an activity held no later than 6 months from the end of the Company's financial year. Changes to the 2007 Company Law can be seen in Article 78 paragraph (2) which adds the word "mandatory" to the definition of a Company's Annual General Meeting of Shareholders.

The word "mandatory" which was previously not contained in the 1995 Company Law makes it an affirmation that positions of the Annual General Meeting of Shareholders as an important agenda for the Company must be implemented. The word "mandatory" at the Annual General Meeting of Shareholders directly indicates its influence on the continuity of a Company and indirectly affects the development of the national economy. The core agenda that must be contained and discussed in the current Annual General Meeting of Shareholders is regulated in Article 66 paragraph (2) of the 2007 Company Law.

Article 66 paragraph (1) of the 1995 Company Law and Article 79 paragraph (1) of the 2007 Company Law make the Board of Directors as a party authorized and obliged to organize the Annual General Meeting of Shareholders. The Board of Directors is the party with authority and is fully responsible for all the Company's activities as contained in Article 1 Point 5 of the Company Law. The Board of Directors is authorized to prepare the Company's annual work plan before the Company's financial year begins (Article 63 paragraph (1) of the Company Law), so that when the Company's financial year is closed the Board of Directors is also authorized to submit and be accountable for the Company's annual performance report to the shareholders (Article 66 paragraph (1) of the Company Law).

This is a form of responsibility from the Board of Directors and the Board of Commissioners. When the Company's financial report and performance can be proven in the Annual General Meeting of Shareholders' agenda to shareholders and the contents of the report are considered clear and there is nothing suspicious, then through the Annual General Meeting of Shareholders release and approval of the annual report will be given (Yahya Harahap, 2016). With the approval of the annual report, the Board of Directors and the Board of Commissioners in that period are released from all their responsibilities or also known as *release and discharge, acquit et discharge* (Yahya Harahap, 2016). This is one of the important functions of the Annual General Meeting of Shareholders for the Board of Directors and the Board of Commissioners themselves.

Through the Annual General Meeting of Shareholders forum, the good and bad performance of the Board of Directors and the Board of Commissioners is known by the shareholders (Gunatri & Sukihana, 2019). It becomes an evaluation moment and avoids allegations of misunderstanding among the Board of Directors, the Board of Commissioners, and the shareholders in the future (Gunatri & Sukihana, 2019). This is due to limited human memory, making it difficult to argue and prove when questioning the performance of certain periods because there is no physical evidence in the form of reports that can be a reference for proof (Gunatri & Sukihana, 2019). This is one of many considerations and reasons about Article 78 paragraph (2) of the Company Law contains elements of mandatory that need to be implemented by every Company in Indonesia. The thing that we are not realizing something when wrong is that the Company Law does not regulate the provision of sanctions when the mandatory in the Company Law is not carried out as it should. One of them is regarding the Annual General Meeting of Shareholders which is ignored by the community as the business actors in its implementation. This makes the elements of mandatory that are contained in the Company Law difficult to be implemented.

The Reality of Company Practice in The Community

Several types of business fields can be run by individual business actors (Farisi et al., 2022). This type of business field is usually categorized as a small-scale and low-risk field (Halim, 2020). Business actors who have the same vision and mission, as well as certain social ties, are required to form a group that is recognized by the government and applicable law in Indonesia to run a business field (Wardhana, 2019b). The groups recognized by government and law are called legal entities that then have the position of legal subjects equal to humans as individual legal subjects (Aisyiah, 2021). The common legal entity used by the business actors in Indonesia is the (Limited Liability) Company's legal entity (Aisyiah, 2021).

The establishment of a Company required in Article 7 paragraph (1) of the 2007 Company Law must be carried out in the form of an authentic deed by an authorized officer, namely a Notary Public. So far the role of the Notary Public in the establishment, management of legality, and changes, until the dissolution of the Company is still quite significant (Aisyiah, 2021). Taking the scope in Batam City, the authors had the opportunity to be able to conduct interviews with several local companies that classified as closed Companies from various business backgrounds, such as hospitality, distributors of food needs, advertising, property agents, and distributors of household equipment.

On different occasions and amid the company's busy schedule, the authors had the opportunity to conduct interviews with the Board of Directors or Board of Commissioners of the Company. The Board of Directors and the Board of Commissioners of the Company come from young entrepreneurs and also senior entrepreneurs. In conveying their opinions, business actors expect understanding not to publish the name of their Company. The authors start by finding out the reasons business actors choose the Limited Liability Company's legal entity in running their business. The simple answer given by business actors was due to the advice given by the Notary Public when they came to consult regarding the plan to establish a company. According to business actors, Notary Public is the party that understands the law better than the business actors. In the case of the establishment of a company, Notary Public advises the Limited Liability Company as a legal entity that provides security for the Company itself and the business actors themselves. Another reason behind the selection of the Company's legal entity is due to advice from business partners and for some types of business fields such as hospitality, it is required to form a legal entity in the form of a Company.

The authors try to ask about the insights of the Board of Directors and Board of Commissioners regarding the current regulations governing the Companies in Indonesia. The Board of Directors and Board of Commissioners held by young entrepreneurs know that the Company in Indonesia is currently regulated in the Company Law of 2007 with several latest updates in the Law Number 6 of 2023 concerning Job Creation. Meanwhile, senior entrepreneurs who serve as Directors and Board of Commissioners admitted that they did not follow the development of

information about this matter and handed it over to employees and Notary Public as parties they trust.

The authors ask about the General Meetings of Shareholders as an important agenda in a Company, business actors only know that General Meetings of Shareholders is a means to make changes in business fields and reappointment of the term of office of the Board of Directors and Commissioners. When the authors try to mention the Annual General Meetings of Shareholders, there are business actors that know about it, and some others do not know it. Business actors that know it, only know the term Annual General Meetings of Shareholders without knowing the purpose of distinguishing the Annual General Meetings of Shareholders from other General Meetings of Shareholders. According to business actors, the Annual General Meetings of Shareholders are only conducted by "large companies". The "large" companies categorized by business actors here are companies whose shares are listed on the stock exchange or classified as public companies.

The authors through this interview opportunity try to convey to business actors the important aims and objectives of the Annual General Meetings of Shareholders as a mandatory agenda launched by the government to all companies established in Indonesia and based on Indonesian law. The authors try to open up new perspectives to business actors regarding the types of General Meetings of Shareholders, especially the Annual General Meetings of Shareholders which have been unknowingly neglected. Through this brief explanation, business actors gain new insights that the Annual General Meetings of Shareholders can indeed have a good influence on the Company in the long term. Among them is supporting the level of company health and transparency within the company. Through this short interview session, business actors also conveyed some of their personal opinions regarding the mandatory Annual General Meetings of Shareholders in the Company which have been neglected and unknown by business actors.

First, related to knowledge of the Company's legal entity regulations in Indonesia. It is very difficult to obtain reliable information about the government regulations that have to be applied to a Company in Indonesia, one of which is about the Annual General Meeting of Shareholders. Not all business actors come from a legal background. Business actors have difficulty keeping up with information about the current regulations related to their Companies because there are many regulations governing the Companies and a tendency to change. For example, the existence of Law Number 11 of 2020 concerning Job Creation or also known as the Omnibus Law. It changed to Law Number 6 of 2023 concerning Job Creation. The existence of these regulations has changed the regulations in the 2007 Company Law.

Difficulty understanding the contents of existing regulations, so business actors need the help of other parties in providing reliable information related to the newest government regulations about the Company. Even though this is also

stated in their Company's articles of association, business actors have never read and understood it carefully. Some business actors are not aware of the existence of a certain term of office for the Board of Directors and the Board of Commissioners in a Company. Even though, the term of office is specifically regulated in the articles of association of each Company. During their term of office, the Board of Directors and the Board of Commissioners according to Article 66 paragraph (1) of the Company Law annually must be accountable for Company's performance to shareholders. This responsibility is given to shareholders in the form of an annual report which is presented in the agenda of the Company's Annual General Meeting of Shareholders. The things that become the obligations and responsibilities contained in the Company Law do not seem to be known for certain by business actors.

Second, the lack of insight possessed by the business actors makes them think that the establishment of the Company is more of a requirement because of the business they are currently running. One of the business actors that requires them to have a corporate legal entity is hospitality. This opinion arises from the senior entrepreneurs' point of view, for them this is all just a regulatory formality. Without the label of a Company, they can carry out their business activities well. This is motivated by the business activities carried out by those who already know each other, have great trust, and have a certain social relationship. As do family, relatives, friends, or co-workers. According to them, the purpose of the Annual General Meeting of Shareholders agenda can be carried out privately by business actors without having to be done formally as they are required in the Company Law. Things that are required to be reported at the Annual General Meeting of Shareholders are considered by business actors to be done personally and informally both verbally or in writing to their business partners as the shareholders. It is very common to talk to each other partners on various occasions.

Finally, the General Meeting of Shareholders is advised by the Company Law to be conducted formally and in the form of an authentic deed. With good intentions for the Company when it will be used as evidence in the future. The General Meeting of Shareholders conducted in the form of an authentic deed requires all the parties to appear simultaneously before the Notary Public at the specified time, this tends to be a time-consuming, complicated procedure and requires a budget for deed-making services. It takes time because some business actors maybe become part of more than one Company. The busy schedule of activities makes it difficult to meet each other at the same time to make the formal Annual General Meeting of Shareholders as recommended by the Company Law.

The responses of the business actors show that the implementation of the existing Company Law in Indonesia is not working for the existence of the Company Law. Considering that the Company is one of the important pillars of Indonesia's national economic development, this goal will be achieved when the

things that regulated the Company Law are in line with laws that have already lived in the community. The reality that occurs is that the Company Laws are not in line with the community's point of view as business actors. They just take it as a formality.

The ineffectiveness of the implementation of the Company Law can also be seen based on several factors stated by Soejono Soekanto (Orlando, 2022). *First*, the law itself (Orlando, 2022). The law must provide justice, certainty, and benefit to the community. The reality that occurs often cannot go hand in hand. The Company Law seeks to provide legal certainty to the community as business actors with clear regulations and procedures regarding the Company. One of them is regarding the regulation of the obligation to hold the Company's Annual General Meeting of Shareholders. The Annual General Meeting of Shareholders is intended to provide legal protection and certainty to the Company, but the government forgets the firm side in realizing this legal certainty and justice. Things that are required according to the Company Law, such as the Annual General Meeting of Shareholders are not accompanied by sanctions as a firm action as well as stimulation to the community as business actors. This makes business actors only consider the obligation of the Annual General Meeting of Shareholders just a formality regulation.

Second, law enforcement factors (Orlando, 2022). The law cannot just run without someone moving it. The first mover or role model so that the Company Law can be implemented is the government through various authorized institutions, such as the Ministry of Law and Human Rights of the Republic of Indonesia or also known as Kemenkumham RI and Notary Public. They play a role as a party that introduces and enforces the Company's legal rules to the public. Coupled with the *third* factor, namely the facilities and infrastructures that support law enforcement (Orlando, 2022) that does not support the process of law socialization to the community, it makes all existing regulations regarding Companies unable to work and achieve the expected goals of the Company Law existence.

Fourth, community factors, and finally cultural factors (Orlando, 2022). These two things are related to each other. Culture grows in every activity in the community. The community as business actors become parties who carry out the rules that have been released and approved by the government. Lack of legal awareness and knowledge makes the Company Law unable to be implemented properly. Think of it as just a formality, not a necessity that will affect the business activities that the community runs. The results of the interviews that the authors conducted reflect the low level of legal awareness and legal knowledge possessed by the community. As business actors, they think that the business activities being carried out will not affect them by not carrying out the obligations of the Annual General Meeting of Shareholders.

The factors put forward by Seojono Soekanto as one of the benchmarks in measuring the effectiveness of a Company Law that applies in the community are proven to be many loopholes that make the purpose of the Company Law not work as it should. The Annual General Meeting of Shareholders which is required to be carried out according to Article 78 paragraph (2) of the Company Law does not work as a mandatory agenda, but rather as a recommendation that can be implemented or not. This is due to the absence of legal certainty, the absence of firm action, and sanctions from law enforcement about the Annual General Meeting of Shareholders as a good obligation to be implemented without exception. Uneven socialization in the community with various existing obstacles makes people indirectly have a low level of legal awareness and legal knowledge.

From the interview results and opinions given by the Company's Board of Directors and the Board of Commissioners, the authors realize that the main foundation of the Indonesian community in conducting business activities is the existence of kinship and trust in fellow business partners. The Company Law, such as the Annual General Meeting of Shareholders cannot run as regulated and expected because of human factors as parties who carry out these laws. Humans as social beings have views that are not in line with the objectives of the Company's laws.

In the business, apart from recognizing economic capital that manifested in the form of assets, it also recognizes the existence of social capital (Supono, 2011). Social capital is a spontaneous element owned by business actors and influential in establishing a business relationship, such as the elements of obligations, expectations, trust, and other social norms (Harrison & Huntington, 2000). Honesty, commitment, and responsibility in carrying out their obligations are the most basic social capital in the practice of business relations (Wardhana, 2019a). This basis elements gives rise to the element of trust that plays a major role in establishing business relationships. In Indonesia, this element of trust is accompanied by other social capital elements, namely kinship. Social closeness with business partners and being able to provide comfort are important points maintained by business actors as social capital in running a business.

The high element of kinship and trust in business activities places the Annual General Meeting of Shareholders as an activity that raises the perception of distrust of the founders and shareholders to the Board of Directors and Board of Commissioners. They become suspicious of taking actions and decisions for the Company. For founders and shareholders, the Annual General Meeting of Shareholders is a form of release of responsibility from the Board of Directors and Board of Commissioners, even though they are the parties that run and make decisions for the Company. When they release their responsibilities, it seems that they no longer care about the things that they have done before and are no longer their responsibility when disputes arise in the future. It seems that the Board of Directors and Board of Commissioners have bad intentions for the Company and do not apply business social capital. Trust, commitment, responsibility, and

kinship are social capital that unknowingly plays a major role in the success of a business transaction, apart from the business economic capital (Supono, 2011).

In line with social capital in doing business, business actors in carrying out business activities emphasize more on aspects of good interaction with fellow business partners. Maintaining a good reputation and convenience in a business partnership is prioritized in meeting the business's targets of each party (Macaulay, 1963). In this case, the legal aspect is not an aspect that needs to be prioritized in the success of a business transaction. Including in dealing with the problems that may arise in business relation, business actors prioritize settlement by deliberation to reach a consensus rather than through legal channels. Settlement through social and kinship aspects can provide solutions with maintaining good relations between business partners afterwards, rather than legal aspects that tend to destroy business relationships in the future.

The lack of Human Resources insight and awareness about the importance of laws in business activities. Laws in business activities are seen as a rigid element (Norman, 2011). Not in accordance with economic and business activities that tend to be flexible and dynamic. When all business activities must always prioritize and based on existing laws, it makes the business activities seem to be preparing a secret weapon for war in the future when one party feels that it is not in accordance with its will at the beginning (Norman, 2011). This eliminates the element of trust between fellow business partners which results in difficulty in cooperating with other parties. Unknowingly, that elements of kinship and trust have been ingrained in every activity of the Indonesian community, especially in business. Involving the law in all business activities is a form of overprotective business actors and does not give trust in their business partners. This is because the true activity of doing business is to obtain mutual benefits, not to make enemies with their business partners.

In business, business actors are maximally oriented to the maximum profits earned by the Company by minimizing company expenses (Utomo, 1999). Business actors put more emphasis on a short-term orientation, (profit-oriented) rather than a long-term orientation that is related to the Company's performance and health in order to survive in various economic climates in the future. The Company's short-term orientation allocates funds and time management to conduct the Annual General Meeting of Shareholders as a waste that can be used for other purposes. The benefits cannot be felt immediately, but already bring bad perceptions, suspicion, and distrust in establishing business cooperation relationships. This makes business actors think twice to have a business partnership by following these laws.

Even if it requires a report, the Company can notify the required report in another way that is informal but acceptable to their business partners. Instead of doing something formal that brings difficulties in establishing a cooperative relationship. Business actors that have a short-term orientation and prioritize company profits choose not to take risks that can affect the profits they might receive. Allocating funds and time for the formal Annual General Meeting of

Shareholders is considered a form of waste. Different things will happen when business actors are long-term oriented towards the health and performance of the Company in the future. The annual General Meeting of Shareholders will be viewed differently as a form of evaluating performance and strategies for future opportunities.

Business actors strongly emphasize the importance of time management in their business activities to meet the planned profit targets. As the saying goes that "time is money", for business actors time become very valuable. Every time that they spend is to make a profit. Setting aside a certain time to be able to gather with other business partners in the Company to discuss the Company's condition formally is a waste of time and does not generate profits for the Company directly. So according to business actors, planning meetings like this is inefficient.

Improvement to Achieve the Objectives of the Company Law

To improve national economic development and the business climate in Indonesia, the government through the legislature seeks to create legal certainty through the UUD 1945 and other derivative regulations. This is intended to protect the national economy and the community as business actors. The rules that have been released and approved are to be applied by the community in the hope of being able to solve problems faced by the community and to facilitate the community's lives to be easier. Everything that is regulated must be relevant to the conditions of the practice in the community.

This is one of the reasons the regulation regarding the Company had changed from the 1995 Company Law to the 2007 Company Law. The need for national economic development and the changing business climate makes the 1995 Company Law no longer relevant and requires changes. It needs to be updated to be able to follow the development of the sophistication of science and technology in the business and economic world. The government regulates many things as a form of regulatory renewal related to the Companies in Indonesia. The arrangement is intended to protect the Company as a legal entity and the public as business actors involved in the Company. The government's good intentions and expectations to protect the Company and business actors must be carried out correctly.

Eugen Ehrlich in his theory of Sociological Jurisprudence reminds us that positive laws imposed by governments will have effective force when the positive laws can be in line with laws that have already lived in the community (Yahya, 2023). The community that carried out these rules so that community is the center of the laws that are formed and implemented. Company Law in Indonesia theoretically seeks to provide protection, legal certainty, and justice. However, in practice in the community, the Company Law still needs some improvements. One of the important elements of a Company is the evaluation of the Company's performance and finances in a certain period. In the regulation, Article 78 paragraph (2) of the Company Law requires the evaluation to be carried out in the form of the Company's Annual General Meeting of Shareholders' agenda, which

must be held no later than 6 months from the end of the Company's financial year. The government requires the evaluation of the Company's performance and finances intended to protect the Company from possible parties abusing their authority. The Company's Annual General Meeting of Shareholders is also a form of responsibility from the Board of Directors and Board of Commissioners. It becomes the protection to the Company's shareholders for the thing that has been invested in that Company. This applies to all types of companies established in Indonesia and based on Indonesian Law, both public and closed Companies; and Companies whose capital's sourced from within the country or from abroad. This rule brings elements of protection, legal certainty, and justice to the community.

The practice of implementing the Company Law to the public has not shown the expected results to establish this Company Law. Society is always assumed to be based on a legal fiction. The community is considered to have already known the law or other derivative regulations when it was released and approved by the government. This is also applied to the implementation of the Company Law in the community. People who never know in depth about the functions and intentions of the Annual General Meeting of Shareholders end up only considering the Company and all the agendas that are set out in the regulations as formalities in Indonesia business activities only. Thus, things that be expected from the Company Law as a contribution to the national economy will never be realized.

As ordinary people, not all individual business actors can properly understand every content of the Company Law's regulations. In addition, there are many laws and regulations in the field of business and economy that apply in Indonesia, making confusion arise for business actors. The community as business actors who have a low level of legal awareness is also another factor that makes the Annual General Meeting of Shareholders in the Company Law difficult to implement evenly. Through the theory presented by Eugene Ehrlich, it can be seen that there is a dividing line that makes the implementation of the Annual General Meeting of Shareholders in the Company Law as positive law in Indonesia does not have effective enforcement in the community as business actors. The development of the National economy and the creation of a good business climate must be realized with the help of several parties to eliminate this dividing line.

The simplest and closest level to business actors is socialization activities. Socialization from government institutions related to the Company's legal entities, such as the Ministry of Law and Human Rights of the Republic of Indonesia or also known as Kemenkumham RI. Socialization of business actors is a form of direct interaction that can bring government institutions closer to the business actors. The thing that needs to be socialized is about the Company and all important regulations therein, including the Annual General Meeting of Shareholders as one of the important agendas that must be implemented by every Company for the good and protection of the Company and the shareholders. Providing the correct basic understanding related to the Annual General Meeting of Shareholders can open insights and foster legal awareness in business actors.

The legality of the Company involves a Notary Public as the authorized party to issue authentic deeds that are required by the Company Law (Wahyuni, 2023). Notary Public can be parties that provide simple education to business actors as the extension of the government. The knowledge provided by Notary Public to business actors that will establish or change the Company is a form of good communication and consultation from the government and its institutions for business actors. Notary Public can serve as a party that can be trusted by business actors to obtain accurate information about the Company and all its regulations. That way, Notary Public can maximize its role in realizing the Company Law so that it has effective enforcement power to the community by socializing the Annual General Meeting of Shareholders as the Company's obligation and the positive impacts of the implementation.

In addition to improvement in its application in the community, the government also needs to consider doing several things. Article 78 paragraph (2) of the Company Law states briefly, concisely, and clearly that the Annual General Meeting of Shareholders is an obligation that must be carried out. As explained in the previous section, when introduced as an obligation, it contains an order to be carried out and is not permissible to not be carried out. Generally, that kind of regulation will be accompanied by sanctions as a firm stance and stimulation to the parties to comply with the regulation. In this case, the Company Law does not include the elements of sanctions in the regulation about the Annual General Meeting of Shareholders. This causes the community to tend to ignore the order because it will not have any impact when it is not implemented. Adding the element of sanctions is a firm stance that needs to be taken by the government as an effort to increase the low level of legal awareness in the community as business actors.

The written regulations in the Company Law cannot be implemented without assistance from various parties. The government as a legislative institution must ensure that the applicable regulations in this case regarding the Company are still relevant to the current national economic conditions and the business climate. Provide legal certainties such as regulations that are not easily changed and maximize the implementation of existing regulations through the role of executive institutions. Provide guidance that can help the community as business actors through direct or indirect socialization and interaction with the business actors.

D. CONCLUSION

The Annual General Meeting of Shareholders is a mandatory agenda for a Company that must be implemented. This obligation is proclaimed by the government through the Company Law with good intentions and purposes. Directly or indirectly, the Annual General Meeting of Shareholders has an impact on the sustainability of a Company. Provide a real picture of the Company's condition to shareholders. The existence of transparency to shareholders allows them to understand the latest conditions and problems faced by the Company. Transparency in various matters within the Company, starting its the financial

condition, management, and performance of the Company aims to minimize arbitrary actions from the Board of Directors and the Board of Commissioners while carrying out their duties. This can make it easier for the Company to find solutions to the problems faced by the Company and make the Company able to survive in all economic conditions. This is in line with the great aims and objectives of the government by making and ratifying the Company Law, which is to strengthen the Company as one of the pillars of the national economy and create a conducive business climate. It is undeniable that the Company's existence plays a very large role in the national economy. The Company's healthy condition allows the Company to make a maximum contribution to the national economy. The government can be said to be successful when the Company Law can be effectively implemented in the community. However, the conditions expected by the government still do not provide maximum results. The Annual General Meeting of Shareholders as a mandatory agenda is still unfamiliar to the public as business actors, especially the Company that classified as closed Companies. The important function of the Annual General Meeting of Shareholders for the continuity of a Company tends to be ignored by business actors. This shows that the orders in the Company Law that have existed since 2007 are not carried out properly by the community as the business actors. The ignorance of the community is a reflection of the government's lack of attention to realizing the original purpose of the Company Law.

Through this simple research that has been done by the author, it is hoped that it can provide a small picture to the government and also business actors about the importance of the Annual General Meeting of Shareholders for the sustainability of the Company. Attention and support from the government through related institutions, such as the Ministry of Law and Human Rights of the Republic of Indonesia in the form of socialization to the community as business actors regarding the importance and the mandatory for the Annual General Meeting of Shareholders to be carried out properly and correctly by the regulations in the Company Law. The role of the Notary Public as an extension of the government authorities in the legality of the Company also plays an important role in providing education regarding the Company's regulations. This is intended to provide business actors with a new point of view and ways of thinking about the Company. The Annual General Meeting of Shareholders regulated in the Company Law of 2007 requires efforts from the government, related institutions, and the business actors themselves to manifest and provide benefits to the parties. Provide security and transparency in the Company and assist the government in realizing a conducive national economy.

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COMPETING INTEREST

None.