

The Legitimacy of BPI Danantara: Investment Management Responsibility in the Context of Business Judgment Rule

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History of Article

Submitted : October 16, 2025

Revised : October 28, 2025

Accepted : November 16, 2025

Published : December 02, 2025

DOI : <https://doi.org/10.37253/jjr.v27i2.11416>

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Abstract

The establishment of Danantara as a national investment management institution (sovereign wealth fund) based on Law Number 1 of 2025 is a strategic step in consolidating state-owned enterprises' assets and capital to support economic growth and public welfare. However, the implementation of Danantara faces various legal and governance issues, particularly related to the dual roles of public officials, restrictions on the authority of the Supreme Audit Agency (BPK), and potential structural conflicts of interest that weaken the principles of Good Corporate Governance (GCG). In addition, the regulation of the Business Judgment Rule (BJR) principle in this law poses its own challenges: on the one hand, it protects directors from criminalization of investments, but on the other hand, it has the potential to open loopholes for abuse of authority if it is not balanced with effective oversight mechanisms. This study uses a normative and prescriptive-analytical juridical approach, examining the synchronization of norms in Law 1/2025, Law 40/2007 on Limited Liability Companies, and the practice of applying BJR in BUMNs, such as the Pertamina BMG Block case, the Garuda Indonesia case, and PT PLN Batubara. The results of the study show that the implementation of BJR in BUMNs and Danantara is effective in preventing the criminalization of business decisions if the directors are able to prove the elements of good faith and duty of care. However, there are still weaknesses in the aspects of transparency, accountability, and independence of supervision, which have the potential to reduce public trust. Therefore, it is necessary to strengthen the role of independent audits, prohibit

public officials from holding multiple positions, and implement compliance reporting-based supervision to ensure that the BJR principle is carried out in accordance with the corridor of law and business ethics.

Keywords: Danantara; BUMNs; Business Judgment Rule; Criminalization of Investment; Good Corporate Governance

Introduction

The current Indonesian government is focusing on managing state-owned enterprise assets effectively by establishing Danantara. BPI Danantara was established to reorganize and revitalize the management of state-owned assets and investments, which were initially managed by various SOEs, to make them more effective, efficient, and coordinated with a strong legal basis. With the existence of BPI Danantara, the government hopes to optimize investment value and strengthen the role of SOEs as the backbone of the country's economy. (Jati & Widjaja, 2025). The assets and funds managed by Danantara's are enormous. Based on data from the Ministry of State-Owned Enterprises in 2024, the total value of BUMN assets reached more than IDR 10,800 trillion, with an average return on investment (ROI) of only around 3.2% per year, far below the optimal potential of 7-8% if asset management is carried out in a centralized and professional manner. This condition indicates that there is still fragmentation of investment between BUMNs and overlapping management, which hinders the contribution of the BUMN sector to the national Gross Domestic Product.

This situation makes investment management, which is key to the success of national development and is spread across various state-owned enterprises, difficult to integrate, so that the potential for asset optimization and added value for the state has not been fully realized. Therefore, the existence of BPI Danantara as a special *legal entity* mandated to manage investments is an important momentum to integrate and manage assets under a strong and transparent institutional umbrella

Although the establishment of BPI Danantara is clearly regulated in Law Number 1 of 2025 concerning the Third Amendment to Law Number 19 of 2003 concerning State-Owned Enterprises (hereinafter referred to as Law

1/2025), there are still many other aspects that need to be reviewed for better institutional and legal arrangements. However, there are now many concerns about the management of the BPI Danantara institution, mainly due to its governance being led by political elites. According to Bhima Yudhistira, Executive Director of the Center of Economic and Law Studies (CELIOS), he criticized the involvement of former presidents and community organizations in the Danantara supervisory structure. The involvement of former presidents or community organizations as supervisors is not the correct mechanism (Jayanti, n.d.). In addition, the existence of Danantara as *a superholding* state-owned enterprise also needs to be reviewed in terms of its position in the legal structure of state-owned enterprises, whether it is appropriate or not.

The Danantara regulation, Law 1/2025, also provides a very significant change, namely removing the status of BUMNs as part of state finances and removing the position of BUMN directors and commissioners as state administrators. This change certainly brings two different perspectives. On the one hand, this change can protect BUMN professionals from criminalization for legitimate business decisions (Kurniawan et al., 2025). However, on the other hand, it can also create loopholes for impunity for criminal acts of corruption. Therefore, given these differing opinions, it is necessary to review the *Business Judgment Rule* principle as a balanced standard (Suharto, 2022).

The *business judgment rule* doctrine is so important because it protects leaders from making decisions in government or business (Kasma & Andersen, 2024). Currently, it can be seen that this doctrine was not applied in the case of Tom Lembong, the former Minister of Trade, who has now been granted a pardon from his 4.5-year prison sentence. The verdict stated that Tom Lembong violated Article 2 paragraph (1) of Law Number 31 of 1999 concerning Eradication of Corruption Crimes, which was amended by Law Number 20 of 2001 *in conjunction with* Article 55 paragraph (1) of the Criminal Code. In his plea, Tom explained that he had no *mens rea* or malicious intent and did not receive any personal gain from the case against him. According to Riza Alifianto Kurniawan, an expert in criminal law and health law, abuse of authority as the main basis for a criminal offense must be accompanied by concrete evidence of

mens rea or malicious intent on the part of the perpetrator. As long as the policy is not used to enrich oneself and there are no active unlawful acts, then it should fall under the administrative domain rather than the criminal domain (unairnews, 2025).

Several previous studies that are similar to this journal are the research written by Gatut Priyo Sembodo, Arman Nefi, and Efa Laela Fakhriah entitled "The Urgency of Applying the Business Judgment Rule Principle in Government Regulation Number 63 of 2019 concerning Government Investment" published by the *Padjadjaran Law Journal* Vol. 3 No. 2 in 2022, which discusses the importance of applying the BJR principle in government investment governance so that business decisions that are detrimental but taken in good faith cannot be directly criminalized (Sembodo et al., 2022). The second previous study was written by Sulistio Adiwinarto, entitled "The Application of *the Business Judgment Rule* and Legal Consequences for State-Owned Enterprise Managers," published by *Proceeding Milenium 2* Vol. 4 No. 3 Year 2025, which discusses how the BJR functions as legal protection for state-owned enterprise directors in making business decisions that involve financial risks. The author emphasizes that this principle is important to create legal certainty and prevent the criminalization of legitimate business policies (Sembodo et al., 2022). Another study was written by Eko Priyono and other authors entitled *The Business Judgment Rule Doctrine in Providing Legal Protection to BUMN Directors (Case Study of PT PLN)*, published by the *Master of Law Journal* Vol. 7 No. 2 Year 2022. discusses the role of the BJR doctrine as a form of legal protection for BUMN directors, particularly in facing the risk of criminalization of business decisions made within reasonable limits and in good faith, specifically in this case study of PT PLN (Priyono et al., 2022). With this previous research as a basis, the research to be examined by the author will focus on how BJR is applied with a case study of Danantara as an investment agency newly formed by the government.

Several previous studies have highlighted the urgency of applying BJR in government investment governance (Sembodo et al., 2022; Adiwinarto, 2022; Priyono et al., 2022). However, these studies still focus on the general normative

framework of BUMNs without reviewing the context of Danantara as a new institution that has hybrid characteristics between a public entity and a state investment corporation. Thus, there is still a research gap regarding the legal accountability of Danantara's directors in making high-risk investment decisions and the effectiveness of BJR implementation in preventing the criminalization of investments under the new legal structure regulated by Law 1/2025. This study aims to fill this gap by conducting a normative and prescriptive legal analysis of how the application of the Business Judgment Rule principle can provide legal certainty for state investment managers while maintaining public accountability. Conceptually, this research differs from previous studies because it positions Danantara as a new model of state investment institution with a dual challenge: ensuring business efficiency while upholding the principles of legal justice and good governance.

Based on this in-depth review of the background and previous research, the author will examine the potential problems in the implementation of Danantara as a State Strategic Investment Management Agency and will also discuss how the application of business judgment rules can prevent the criminalization of investment in Danantara as an investment management agency. This research will focus on the potential problems that may arise in the implementation of Danantara as a State Strategic Investment Management Agency and will also focus on the implementation of the *business judgment rules* doctrine in Danantara to prevent the criminalization of investment.

Research Method

This study uses a normative juridical method. According to E. Saefullah Wiradipradja, the normative juridical method explains that normative juridical research is a type of legal research based on the study of positive legal norms applicable in Indonesia. This study uses a *statutory* approach by analyzing legal provisions related to the legal structure of BPI Danantara as stipulated in Law Number 1 of 2005 concerning the Third Amendment to Law Number 19 of 2003 concerning State-Owned Enterprises and the *business judgment rule*

doctrine as stipulated in Law-Law Number 40 of 2007 concerning Limited Liability Companies and Government Regulation Number 63 of 2019 concerning Government Investment) (Wiradipradja, 2015). This study also uses secondary legal materials such as legal journals, relevant legal research results, court decisions, and tertiary legal materials. Data collection was carried out using a literature study method by examining primary, secondary, and tertiary legal materials, the results of which were then specifically compiled in the discussion section covering aspects of legal regulations regarding Danantara, governance and supervision, director accountability, and *the business judgment rule* doctrine.

Results and Discussions

Potential Problems in the Implementation of Danantara as a State Strategic Investment Management Agency

The establishment of BPI Danantara is an important innovation in the development of BUMN management in Indonesia. The main reason for the formation of Danantara is the need to redesign the method of managing state assets and investments in order to adapt to global challenges and provide significant results for the national economy. In this context, BPI was created as a new *legal entity* that not only acts as a technical implementer but also as a holder of strategic plans that can integrate functions and manage investments in various BUMNs (Negara, 2025). BPI Danantara, as a *Sovereign Wealth Fund* that has been launched, has the task of managing assets with a nominal value of US\$ 900 billion, which is equivalent to IDR 14,665 trillion (CNN Indonesia, 2025). This is different from other *Sovereign Wealth Funds* in several countries, whose funds come from state financial surpluses, namely revenues from natural resources such as oil, minerals, gas, and the denationalization of state assets. Indonesia does not use funds from natural resources. Danantara focuses more on infrastructure growth and the digital-based economy to attract investors who want to take advantage of economic growth in Indonesia (Gaol et al., 2025). Initially, BPI Danantara will manage seven (7) major BUMNs, namely PT. Bank Rakyat

Indonesia, PT. Pertamina, PT. Perusahaan Listrik Negara, PT. Bank Mandiri, PT. Telekomunikasi Indonesia, and PT Mineral Industri Indonesia. This mandate makes Danantara one of the largest *sovereign wealth funds* globally (Binekasri, 2025).

Based on data from the Ministry of State-Owned Enterprises, the total consolidated assets of BUMNs in 2024 will reach around IDR 10,950 trillion, an increase from IDR 10,402 trillion in 2023 (Luther Kembaren et al., 2025) . However, this increase in assets does not always go hand in hand with the optimization of investment returns, as evidenced by the fact that there are still BUMNs that require large amounts of liquidity support. One example is Danantara's decision to inject approximately Rp 6.6 trillion (US\$ 405 million) into Garuda Indonesia and Citilink in 2025 to support the restructuring and recovery of the airlines' performance (Ilyas Fadilah, 2025) . This fact illustrates that even though Danantara was formed to improve the efficiency and integration of state investment management, the risks of misallocation and dependence on bailouts for loss-making BUMNs remain a real challenge. Thus, the problems with Danantara's implementation are not only normative at the institutional design level, but are also reflected in the practice of refinancing troubled BUMNs such as Garuda Indonesia, which continues to record losses and requires large amounts of funding support from the state and Danantara.

Regulatory-wise, BPI Danantara is regulated in Law Number 1 of 2025, which provides an open legal basis for its establishment, position, authority, and functions. In this law, BPI Danantara is defined as an Indonesian *legal entity* established by the government as the controlling shareholder of BUMNs and other state-owned investment companies. This legal basis ensures that investment management will no longer be vulnerable to overlapping authorities and fragmented assets, but that all assets will be systematically integrated and coordinated (Mulyana et al., 2025). Because Danantara is regulated by legislation, unlike state-owned enterprises, which are usually established by government regulations, Danantara has a stronger position than other state-owned enterprises. It can also be concluded that the placement of Danantara in the BUMN Law is intended to make it an integral part of the national BUMN

governance framework. The president's authority over BUMNs as representatives of state ownership is currently exercised through two channels, namely the Minister of BUMNs and BPI Danantara (Sukarmo & Aswadi, 2025). This division can be explained as follows: the Minister of State-Owned Enterprises will continue to control the dual-class A shares (*golden shares*) as a representative of the government, while Danantara will become a common shareholder or class B shareholder in *the investment holding* and operational *holding* structure of state-owned enterprises (Muninggar, 2024). Danantara was established with the objectives outlined in Article 3E paragraph (3) of the BUMN Law, which states that Danantara aims to improve and optimize BUMN investments and operations, as well as other sources of funding. From this article, it can be understood that Danantara has a dual nature, namely, in addition to managing BUMN investments, Danantara also collects and manages other funds outside the state budget, provided that this is done in accordance with its objectives.

Danantara's duties are regulated in Article 3F of Law Number 1 of 2025, which explains that Danantara has the duty to manage all BUMN dividends, not only dividends from investment *holdings* but also operational *holding* dividends originating from BUMNs directly as investment funds, and to approve increases or decreases in state capital participation in BUMNs originating from dividend management. Danantara also has the task of establishing a *holding* structure with the Minister, can carry out borrowing and asset guarantee actions with the President's approval, and can approve proposals to write off or collect BUMN assets from *the holding company*. The breadth of Danantara's authority makes it a kind of *master fund* that has a role in centrally managing the capital and expansion of BUMNs (Sewandono & Arinanto, 2025).

The regulations governing Danantara make it a separate *legal entity* but with a role in managing BUMNs, illustrating the strict application of the principle of separation of assets. These regulations also add Article 4B, which states that the capital and assets of BUMNs are the property of the BUMNs themselves and that all profits or losses of BUMNs are not profits or losses of the state. It can be concluded that when state funds are used as capital for BUMNs

or Danantara, their status becomes the assets of a company and cannot be treated under the definition of public law. This is in accordance with the basic principle of a limited liability company, whereby *the shareholder*, namely the state, only bears the risk to the extent of the capital invested, while the company has its own legal personality (Simanjorang, 2024).

In addition to regulating the separation of Danantara and state assets, this regulation also regulates the governance and supervision of BPI Danantara. BPI Danantara is an agency that will be accountable to the President. The President, as *a shareholder*, has the right to assess Danantara's performance in managing BUMN investment assets. In this case, the President will not work alone, but there will be corporate organs similar to those in a company, such as a Board of Directors that will carry out Danantara's technical operations and a Supervisory Board, also known as commissioners in a company, which is tasked with supervising the performance of the board of directors.

Governance is regulated in Article 3E paragraph (5) of Law Number 1 of 2025, which explains that in order to provide certainty in dividend contributions for investment management, the minister may place representatives in several parts, such as in agencies, investment *holdings*, and operational *holdings*, of course with the President's approval. With this article, the Minister of State-Owned Enterprises or officials who will be placed there will be included in the supervisory structure *of* Danantara or the holding company below, and the appointed officials can also become members of the Supervisory Board. The presence of government representatives on the Supervisory Board can serve as government representatives to oversee the strategic policies of Danantara and the state-owned enterprise group in real time (Fitria & Apipah, 2025).

The organs within Danantara are regulated in Article 3M of Law 1/2025, namely there are two main organs, namely the Supervisory Board and the Executive Board. The membership of the Supervisory Board is regulated in Article 6 of Government Regulation Number 10 of 2025, which explains that the Supervisory Board consists of a chairperson who is also a member, a vice chairperson who is also a member, representatives from ministries that synchronize and coordinate as well as control the implementation of ministerial

affairs in the implementation of government in the fields of economy, finance, state-owned enterprises, and investment as members, as well as state officials or other parties as members (Pradana & Silalahi, 2024).

The Supervisory Board has the task of supervising the programs carried out by the Executive Agency. Some of the Supervisory Board's authorities, with the President's approval, are to approve the work plan and annual budget prepared by the Executive Agency, evaluate the results of key performance indicators, receive and evaluate accountability reports prepared by the Executive Agency, compiling and presenting the Supervisory Board's accountability report, determining the remuneration of the Supervisory Board and the Executive Agency, proposing increases or decreases in the Agency's capital to the President, approving the Agency's annual financial reports, and temporarily dismissing members of the Executive Agency. As a supervisor, BPI Danantara also has the task of compiling and enforcing a code of ethics that applies to the Supervisory Board, the Executive Board, and the Agency's employees (Rusyda & Rahardiansah, 2025).

Meanwhile, the Executive Board is regulated in Article 12 of Government Regulation Number 10 of 2025, which stipulates that the Executive Board consists of a head who also serves as a member and members of the Executive Board. The Executive Board will be filled by professionals. The Executive Board has the task of managing the operations of BPI Danantara. The Executive Board's authority includes formulating and implementing the Agency's policies, implementing policies and managing the Agency's operations, preparing and proposing remuneration from the Supervisory Board and the Executive Board to the Supervisory Board, preparing and proposing work plans and annual budgets as well as key performance indicators to the Supervisory Board, proposing the Agency's organizational structure and implementing personnel management such as appointments, dismissals, remuneration, payroll systems, awards, pension programs and retirement benefits as well as other income for Agency employees, and representing the Agency inside and outside the Court. The existence of the Supervisory Board and the Executive Board means that

Danantara has the same concept as the Board of Directors and Board of Commissioners in the concept of company law.

Danantara will also have an Advisory Board formed by the President, which is tasked with providing input and advice to the Executive Board. The President has the authority to appoint and dismiss members of the Advisory Board, and if necessary, the Advisory Board is assisted by a secretariat. From the organizational structure regulated in the legislation, it can be seen that the State has a major role in supervising the management of public assets carried out by Danantara. This is also reinforced by the appointment of the Minister of State-Owned Enterprises, Erick Thohir, who also serves as Chairman of the Danantara Supervisory Board, along with his colleague Muliawan D. Hadad, who serves as vice chairman. The organizational structure also involves several ministers (Novianto, 2025). This shows that the supervisory function of Danantara is directly under the control of the state, of course with strong legal regulations.

The government element can be seen very strongly in the substance of Danantara's regulations. It can be concluded that the purpose of establishing and implementing Danantara is to achieve *the welfare state theory*, or what can be referred to as a modern constitutional state. The objective of this concept is not only to enforce the law but also to achieve social justice for all citizens. The concept of a modern constitutional state places the existence and role of the state in a large and powerful position. A characteristic of a country that adheres to *the welfare state* is the emergence of the government's obligation to create welfare for the entire community. Thus, it can be interpreted that the *welfare state* doctrine is a concrete form of the change in the principle of *staatsonthouding*, which means limiting the role of the state and government in intervening in the economic and social life of society to one where the state and government need to be active in the economic and social life of society in order to create general welfare in addition to maintaining order and security (Putra, 2021).

The establishment of Danantara can be considered a noble goal of the government to achieve the *welfare state* theory because Danantara's main task is to manage and optimize and has the goal of helping national economic growth. In line with Danantara's vision as an institution that manages strategic

investments and state-owned enterprises, it will become a facilitator for investment placement. With these objectives and vision, the desired outcome of Danantara is to support national development and achieve prosperity for all people in Indonesia. This is closely related to the *welfare state theory* explained by Lawrence Friedman, which states that the state has a responsibility to provide welfare for its citizens, primarily in terms of basic needs, social services, and the need for the state to regulate the market economy.

The large government presence in the management of assets at Danantara means that this structure needs to be overseen by the principles of Good Corporate Governance. The principles of Good Corporate Governance, which include accountability, independence, transparency, responsibility, and fairness, are universal standards in modern corporate governance. In the context of public institutions such as BPI Danantara, the implementation of GCG is very important to ensure effective and efficient management of public funds and prevent legal violations. As an Investment Management Agency that manages state-owned enterprise assets, Danantara has an important position in Indonesia's national fiscal policy structure (MBA, 2025).

This role is not only administrative in nature to manage assets but also strategic as an instrument of long-term development. Therefore, Danantara's institutional structure must implement strong Good Corporate Governance to ensure the efficiency, accountability, and *stability* of the institution. Danantara's structure, as described above, consists of a Supervisory Board, an Executive Board, and an Advisory Board. This structure illustrates the separation of supervisory and executive functions. The Supervisory Board is expected to be independent in supervising the performance of the Executive Board and to ensure that Danantara's main investment strategies are in line with long-term national interests (Hukunala, 2025). However, when it was first established, the independence of Danantara's Supervisory Board caused a lot of confusion because the process of appointing board members was still dominated by political appointments, mainly by the President and the Minister of Finance (Hukunala, 2025).

Another obstacle to implementing GCG is Indonesia's bureaucratic culture. The bureaucratic culture is still paternalistic, hierarchical, and tends to reject internal criticism (CPArb, 2024), which is certainly contrary to the spirit of GCG, which demands participation, transparency, and collegial decision-making. When organizational structures prioritize loyalty to superiors over institutional principles, internal control becomes ineffective. This results in strategic decision-making processes that tend to be closed, exclusive, and at risk of ignoring input from professionals. The implementation of GCG will also be hampered by limited human resources. The implementation of GCG cannot rely solely on regulations and systems, but also on the capacity of the individuals who implement it. The management of large-scale strategic funds requires a high level of expertise in various disciplines such as investment law, corporate finance, risk management, and global governance. When the recruitment process is not yet based on the concept of meritocracy and there is no *sustainability and structured* training system, the risk of competent management cannot be realized (Seno, 2022).

The involvement of political figures and former high-ranking state officials in the structure of Danantara's Supervisory Board and Advisory Board raises concerns about the independence of investment decision-making. In addition to potentially creating a conflict of interest between political agendas and long-term commercial interests, this composition can also blur the lines of accountability and make it difficult to objectively assess Danantara's investment performance. Similar concerns have also been highlighted by international investors who assess the lack of clarity in governance and the risk of concentration of power in the management of Danantara's assets. In comparative perspective, several *sovereign wealth funds* that are considered successful, such as the Government Pension Fund Global (GPF) in Norway, implement a governance model that is relatively separate from direct political intervention, with a clear mandate, a transparent risk management framework, and strict rule-based oversight. In addition, international guidelines such as the Santiago Principles and the IMF's review of SWF governance emphasize the importance of a clear distinction between owners (the government), the management board, and investment

managers to minimize the risk of abuse of authority and increase market confidence. When compared to these standards, Danantara's governance design, which is still strongly influenced by political appointments, shows an urgent need to reformulate the composition of the board and accountability mechanisms to be more politically neutral and in line with the principles of *good corporate governance*.

The regulations regarding Danantara have undergone developments. On October 2, 2025, the House of Representatives passed the Draft Law on the Fourth Amendment to Law Number 19 of 2003 concerning State-Owned Enterprises. This regulation stipulates the change of the Ministry of State-Owned Enterprises to the State-Owned Enterprise Regulatory Agency (BP BUMN) (Muliawati, 2025). Some of the changes in this latest regulation include the change in nomenclature from the Ministry of State-Owned Enterprises to the State-Owned Enterprise Regulatory Agency, abbreviated as BP BUMN, the confirmation of the state's ownership of one percent of Dwi Warna series A shares in BP BUMN, and regulations prohibiting the holding of multiple positions, namely that ministers and deputy ministers are prohibited from filling positions on the board of directors, commissioners, and supervisory boards in BUMNs, which is a follow-up to Constitutional Court Decision Number 128/PUU-XXIII/2025, the removal of regulations regarding members of the supervisory board, board of commissioners, and directors of BUMNs who are not state administrators, the formation of board of commissioners members from professionals, granting the Financial Audit Agency the authority to audit the finances of BUMNs to improve transparency and accountability and their management, increasing the authority of the BUMN Supervisory Agency to maximize the role of BUMNs, ensuring gender equality for BUMN employees who hold positions as directors, commissioners, and managers in BUMNs, tax treatment of transactions involving entities, operating *holdings*, investment *holdings*, or third parties as regulated by government regulations, regulations prohibiting the BUMN Supervisory Board from controlling BUMNs that are used as fiscal tools, planning procedures for the transfer of employment status from the BUMN ministry to the BUMN Supervisory Board, as well as additional

regulations related to substance, and regulating the composition of shares in investment *holding* parent companies and operational parent companies in the Danantara Investment Management Agency (CNN Indonesia, 2025).

This regulation is one of the draft laws that has just been discussed since September 23, 2025, and shortly after it was agreed to be included in the National Priority Legislation Program. On September 26, the House of Representatives and the government agreed to bring it to a plenary meeting to pass this draft into law. The discussion and ratification took place in such a short period of time that the regulation seemed rushed. The changes to the regulations that were made only seven months ago as the legal basis for the establishment of Danantara have shown that the government did not have sufficient preparation to formulate such a large-scale program (BBC Team, 2025).

Another issue that also needs to be understood is that the implementation of Danantara for seven months still raises doubts. It should be noted that Danantara has provided funds amounting to Rp6.65 trillion, equivalent to US\$405 million, to PT. Garuda. Of this injection, 4.8 trillion was for Citilink and 1.8 trillion was for Garuda Indonesia. The purpose of this injection was to help the government-owned airline recover from its losses (*Nicha Muslimawati*, 2025). This was because in the first half of 2025, Garuda Indonesia had suffered losses of 2.3 trillion rupiah. Prior to this capital injection, Garuda Indonesia had also received state funding in 2022 in the form of a State Capital Participation of Rp 7.5 trillion. (Kompas, 2022).

Another company that received a capital injection from Danantara is PT. Perusahaan Pengelola Aset, which was provided with a profit-sharing financing facility of around Rp 725 billion. However, there are also many ongoing losses related to the debts owed by this company. Danantara funds were also invested in PT Chandra Asri with funds reaching Rp 13 trillion for investment in the downstream industry (*Wicaksono Hartono*, 2001). One of the investors in the company is Chandra Asri, owned by Prajogo Pangestu, a wealthy individual who has been involved in a major corruption case. Looking at *the track record* of companies that have received investments from Danantara, many companies have been unable to account for their investment funds and have been unable to

generate profits, but instead have consistently incurred losses (*Choiriyah Indriyati Putri, 2024*).

Beyond the short-term issues related to institutional design and initial investment practices, Danantara's sustainability as a strategic state investment management body is largely determined by its long-term risk management strategy. Some of the plans that have been presented by Danantara's management include a commitment to integrate ESG principles, joining international forums such as the International Forum of Sovereign Wealth Funds (IFSWF), and implementing a more measurable risk management framework in its expansion into the energy, infrastructure, and finance sectors. However, to date, there is no clear design regarding the role of independent audits, external monitoring mechanisms, or contingency plans in the event of large losses or misallocation of funds in high-risk projects. In fact, best practices from various SWFs around the world show that long-term success depends heavily on a combination of: (1) a strong risk management framework (portfolio diversification, sector exposure limits, and periodic project feasibility assessments); (2) independent internal and external audits; and (3) transparent reporting to the public and parliament. Without strengthening these aspects, Danantara has the potential to repeat the unhealthy pattern of BUMN *bailouts* and find it difficult to build credibility as a sustainable state asset management institution. Therefore, in addition to improving institutional governance and risk management mechanisms, regulations regarding the legal accountability of Danantara's directors through the application of *the Business Judgment Rule* doctrine are crucial, not only to prevent the criminalization of investment, but also to ensure that such legal protection does not sacrifice the principles of accountability and integrity in the management of public funds.

Danantara's potential issues and conflicts

<p>Background: Reform of State-Owned Enterprise Asset and Investment Management Focus: Infrastructure and the digital economy Value of assets managed: \$900 billion Managing seven strategic state-owned enterprises BRI, Mandiri, Pertamina etc.</p>	<p>Foundational principles and stance Law No. 1 of 2025: The reason for the establishment Danantara is a special legal entity which is stronger than the Ministry of State-Owned Enterprises (kementerian BUMN). The President and Minister of State-Owned Enterprises are controlling shareholders. Their duties include managing dividends, capital, loans, and assets.</p>	
<p>Intermediate Objectives: The realization of a welfare state Promoting national economic growth and optimizing assets The state is becoming active in socioeconomic development, which is a positive step in addressing the needs of its citizens.</p>	<p>Implementation of Good Corporate Governance Principles: transparency, accountability, responsibility, independence, and fairness. Challenges include political domination and dual positions, a hierarchical and convoluted bureaucracy, a minimal meritocracy (closed), and low internal control.</p>	<p>Problems: Dual positions and political intervention. Sudden regulatory changes (BP, BUMN). Continuing investment losses (Garuda Indonesia and Chandra Asri). Weak supervision and risk of fund misuse</p>

It can be concluded that the establishment of Danantara has been formulated with complete and appropriate regulations, but it should be noted that there are still many problems in its implementation, such as political appointments and inappropriate investments in certain companies that are only used to cover losses. Furthermore, there have been sudden changes to the main regulations at Danantara. These changes certainly have a major impact on Danantara, which has been operating for almost 8 months, especially now with the passing of the latest BUMN Bill. With this regulation, Danantara, which was originally under the Ministry of BUMNs with a supervisory function, now has its supervisory function taken over by the Danantara Supervisory Board and the nomenclature of the Ministry of BUMNs has been changed to BP BUMN (detikcom, n.d.).

Implementation of the Business Judgment Rules Doctrine in Danantara to Prevent the Criminalization of Investment

The responsibility of directors in a limited liability company is limited, but in certain circumstances it can become personal or joint responsibility, and some responsibilities are imposed on the company's organs, so that when the company suffers losses in the course of its business, the directors can be held personally

liable and prosecuted in a district court. However, if the directors can prove that the losses incurred were not due to errors or negligence in running the company, they can be protected by the Business Judgment Rule principle based on Article 97 paragraph of Law Number 40 of 2007 concerning Limited Liability Companies, which explains that directors cannot be held liable for such losses if they can prove that the losses did not occur because of wrong decisions or negligence, but that they managed the company in good faith and with due regard to the interests and in accordance with the vision and mission of the company, there was no direct or indirect conflict of interest in relation to the management actions that caused the loss, and actions were taken to prevent further impact from the loss (Anshari et al., 2025).

Article 97 paragraph (5) of Law Number 40 of 2007 concerning Limited Liability Companies is an implementation of *the business judgment rule*, which is defined in *Black's Law Dictionary* as a standard or requirement for imposing liability on company directors who need to give time and thought to making decisions. This definition can be interpreted to mean that in imposing liability on company directors, careful consideration must be given to whether they have acted in good faith and with due care. This principle originates from the *common law* system and is *derived* from *US corporation law*. This doctrine provides protection for directors if they have made decisions after careful consideration and with full responsibility, taking into account the uncertain business conditions. If the decision is wrong and results in losses, the directors cannot be sued personally because the company also bears the losses (Ratuwala, 2024).

The concept of *business judgment* is unlike other corporate law concepts, as business decision rules focus on protecting directors from companies that hold them personally liable. However, this protection is limited to the general corporate corridor, where courts can examine or assess directors' decisions, including their own business decisions (Fuady, 2002). The principle of *the Business Judgment Rule* was initially only regulated in Law Number 40 of 2007 concerning Limited Liability Companies, but in the current development of law, it is also regulated in Article 9F of Law 1/2025, which explains that directors cannot be held legally liable for losses if they can prove that the losses were not

due to their mistakes or negligence, they have acted in good faith and with due care for the vision and mission of the BUMN, they have no *direct* or *indirect conflict of interest* with the management actions that caused the loss, and they have taken preventive or follow-up actions to address the loss (Sudarna, 2025).

This regulation arose because Article 11 of Law Number 19 of 2003 concerning State-Owned Enterprises explains that all rules and principles applicable to limited liability companies as stipulated in Law Number 40 of 2007 concerning Limited Liability Companies also apply to limited liability companies. A limited liability company is a state-owned enterprise that has the form of a company whose capital is divided into shares, with all or at least 51% of the shares owned by the state, with the aim of making a profit (Hadi et al., 2021). Therefore, it can be understood that the substance of the Limited Liability Companies Law also applies to BUMNs, so to strengthen and provide legal certainty, it is regulated in Article 9F of Law 1/2025.

This regulation also arose due to the large number of cases involving the BJR principle that have occurred. There are cases that have been imposed on BUMNs in Indonesia. One of them is the case faced by KA as the former President Director of PT Pertamina regarding the investment project to purchase *Participating Interest* in Block BMG in Decision Number 34/Pid.Sus-TPK/2019/PT.DKI. This case began on May 27, 2009, when Pertamina signed a contract to purchase several parts of BMG assets worth US\$ 31.49 million from the Australian company ROC Oil Company Ltd. Pertamina had to pay 26.8 million AUD for Block BMG. The total loss was Rp 568.06 billion (Gumiwang, n.d.).

With the purchase of the BMG Block assets, Pertamina's management estimated that it would obtain 812 barrels of crude oil per day. However, the situation that occurred was beyond Pertamina's management's expectations at that time. In 2009, the BMG Block's production only reached 252 barrels per day. Thus, the BMG Block was considered an inefficient business asset. In 2012, Pertamina acquired a 10% operational interest in the BMG Block offshore Australia through its subsidiary PT Pertamina Hulu Energi. A study of the BMG Block in the Gippsland Basin, Australia, showed that the BMG Block had entered

the non-production phase (NPP). This NPP stage was caused by various problems, including safety issues, inadequate facilities, and a decline in reserves from 19.40 million gallons of oil to 3.01 million gallons of oil (Setiawan, n.d.).

This decision by the board of directors meant that KA, as the former President Director of PT Pertamina, had to face legal consequences. However, when linked to the facts of the case, at the time KA made the decision to purchase *PI* in the BMG block, he did not intend or would not have known that the business decision would not be profitable. The panel of judges at the Central Jakarta Corruption Court sentenced KA to 8 years in prison, but KA appealed and lost. KA then proceeded to the cassation level. In 2020, the Supreme Court acquitted KA in the BMG Block corruption case, which was said to have caused the state a loss of Rp5668 billion. The reason the Supreme Court handed down this verdict was because, according to the panel of supreme judges, what KA did was purely a business decision. Therefore, the judges decided that KA's actions did not constitute a criminal act of corruption (Fadhil, n.d.).

In addition to the PT Pertamina case, the application of BJR is also reflected in the case of PT Garuda Indonesia's investment related to the leasing of Bombardier and Rolls-Royce aircraft, where the court ruled that investment decisions that were detrimental to the company could not necessarily be categorized as criminal acts if they were made in good faith and based on a business analysis (*feasibility study*) (Hidayat, 2023). Another example emerged in the case of PT PLN Batubara (2021), where the coal procurement process that caused state losses was not immediately criminalized, as it was proven that the directors' decision was made based on professional recommendations with unpredictable market risks. Through these examples, it can be seen that the BJR has served as a legal instrument that protects BUMN directors from criminalization, as long as their actions do not contain elements of *mens rea* and fulfill the elements of *duty of care* and *good faith*.

With this case, it can be proven that the application of *the business judgment rule* in BUMNs has been carried out in court. Therefore, it is necessary to regulate the principles of BJR in a regulation, which is now regulated in Article 9F of Law 1/2025. This regulation will certainly have a positive impact in that

directors who are acting in good faith and are competent will be protected, so that they will not hesitate to innovate to bring progress to BUMNs. This principle will support *the good faith and duty of care* of a director. This is because the BJR principle will apply if the compliance requirements are met. For example, if the decision is made with malicious intent or *mens rea* or there are elements of gross negligence, this principle will be invalid. In fact, the same regulation clearly states that if the directors cannot prove that they are not guilty or do not meet the BJR criteria, they will still be prosecuted (Article 9F of Law Number 1 of 2025).

From a corporate law perspective, the implementation of BJR in BUMNs and Danantara is considered important to equalize treatment with private companies. In private companies, *shareholders* have the right to demand that directors take every business opportunity for profit. If every business loss is considered a loss to the state that can criminalize directors, BUMNs will certainly lag behind in their development due to *defensive management*. The existence of the BJR principle allows Danantara or BUMNs to be more flexible in making important business decisions. The principle of freedom will also be upheld within the legal corridor so that directors can freely take initiatives as long as they do not violate legal provisions and business ethics (Pharmacista, 2025).

The implementation of the BJR principle in Law 1/2025 can be carried out by referring to the contents of Article 9F paragraph 1, which states that board members cannot be held legally responsible for losses if they can prove several elements in this letter, namely The loss that occurred was not a loss due to the fault or negligence of the directors. they have managed the BUMN or Danantara in good faith and with due care for the vision and mission in accordance with the objectives of the BUMN, they have no direct or indirect *conflict of interest* with management actions that could result in losses, and they have taken measures to prevent the occurrence of such losses or their continuation (Aggistri & Gunadi, 2025).

Therefore, with this article, the directors need to prove that the losses that have occurred are not their fault. They also need to prove that they have made decisions in good faith and with due care and that these actions are in accordance

with the interests and duties of the BUMN. The directors, as executors, also need to take preventive measures to prevent further losses. Therefore, if the directors can fulfill these four elements, they can be considered as directors who have fulfilled *the good faith* and *duty of care* of a director and can be protected by the BJR principle and protected from criminalization of investment.

The BJR provisions drafted by lawmakers to protect directors and their staff from legal liability for decisions made in a business context will certainly have other legal implications. The implications of implementing *business judgment rules* based on Law 1/2025 will raise serious questions among the public regarding *the trust and accountability* of BUMN directors. When directors cannot be held accountable as long as they can prove that decisions were made in good faith and in accordance with the principles of *good corporate governance*, the public will undoubtedly doubt *the integrity and transparency* of decision-making. This will cause concern, especially if this principle is used to protect *unethical* actions or decisions that only benefit individuals or groups in the name of *good faith* (Mirza, 2020).

The application of BJR can also be a double-edged sword. On the one hand, this principle protects directors who act in good faith and do the right thing. However, on the other hand, if there is no proper oversight mechanism, there will certainly be potential legal implications. One of them is that all major decisions need to be documented with complex *feasibility* studies and *due diligence*. With this method, if the public questions the directors, they can prove that their actions were carried out in good faith and adhered to the principle of prudence. Even if they escape criminal charges, the directors can still be held accountable corporately, for example, through a General Meeting of Shareholders, which in this context is the government. The government, as *a shareholder*, can replace directors who are considered to be performing poorly because they made decisions without consulting *shareholders* or violated policies. If losses are incurred due to a breach of duty, the government can, of course, file a civil lawsuit in accordance with Law Number 40 of 2007 concerning Limited Liability Companies.

The implementation of *the Business Judgment Rule* in Law 1/2025 may also give rise to *conflicts of interest* that could undermine the integrity of BUMN management and erode public trust in the government. The BJR provides legal protection for BUMN directors who make business decisions in good faith and with due care. However, the application of this principle can create a situation where BUMN managers prioritize the interests of a particular person or group over the interests of the state. This *conflict of interest* can arise if managers have personal relationships or certain affiliations with external parties that have a connection with the company's strategic decisions.

The implementation of BJR can also worsen the potential for abuse of authority, whereby directors can make decisions that are detrimental to the state for the personal gain of certain individuals or groups by claiming that these decisions were made in good faith and with due diligence. This implementation can also degrade the level of accountability of management because management can avoid legal responsibility on the grounds that decisions have been made with elements of *business judgment rules*. Of course, if the implementation of BJR is not properly supervised, it could reduce public trust in state-owned enterprises and Danantara. Therefore, the government has mitigated this by providing limitations on the evidence for the implementation of BJR.

In addition, with the application of *the Business Judgment Rules*, a logical consequence that will also occur is Article 9G of Law 1/2025, which states that the directors, commissioners of BUMNs, and the supervisory board of Danantara will not be considered as state administrators. The explanation of this article clarifies that this rule does not mean that they are not state administrators, but that their status as state administrators will be lost. It can be interpreted that someone who initially had the status of a state administrator will not automatically lose that status simply because they become a director, supervisory board member of Danantara, or commissioner of a state-owned enterprise. However, in the context of their positions at state-owned enterprises or Danantara, they are not positioned as administrators (Nahariah, 2024).

This is a logical consequence of the application of the BJR principle and the principle of separation of assets between state assets and company assets.

Therefore, those who carry out Danantara and BUMN activities, even though they are state administrators, Therefore, all consequences of state administrative law cannot be attached to them, for example, the obligation to make a State Administrator Wealth Report, the prohibition on holding certain concurrent positions, and regulations regarding *conflicts of interest* that initially applied because state administrators can no longer apply (Handoko & Lestari, 2025).

Another potential factor that could render the implementation of *business judgment rules* ineffective is that Law No. 1/2025 regulates restrictions on the authority of the Supreme Audit Agency (BPK) to audit Danantara with the approval of the House of Representatives (DPR), which will certainly lead to inefficient supervision. In the normal governance of a corporation, an internal and independent audit is a mandatory requirement under the principles of good corporate governance (GCG). If Danantara can withstand the BPK audit through political actions, there is a fear that a culture of secrecy will emerge. This will lead to an increased risk of fund misuse when control mechanisms are less transparent. However, this issue has been addressed by a change in the recently passed State-Owned Enterprises Bill, which stipulates the BPK's authority to audit state-owned enterprises' finances in order to increase transparency and accountability in the management of state-owned enterprises' finances.

Although the BJR regulation in Article 9F of Law Number 1 of 2025 provides legal protection to directors, there is a potential loophole in its implementation. One of the main weaknesses lies in the limitation of the authority of the Supreme Audit Agency (BPK) in conducting audits of Danantara, which can only be done with the approval of the House of Representatives. This condition has the potential to create a *grey area* that can be exploited to cover up non-transparent decision-making practices or those laden with political interests (Handoko & Lestari, 2025). In the context of *good corporate governance (GCG)*, an independent audit mechanism is a key pillar for ensuring accountability and transparency. Therefore, supervision of BUMNs and Danantara should not only rely on the BPK, but also be strengthened by independent external audits and a periodic reporting system that is open to the public. Strengthening internal audit institutions that have autonomy from the

board of directors and public supervision through information disclosure will reduce the risk of fund misuse and strengthen the effective implementation of BJR.

PETA PEMIKIRAN PELAKSANAAN BJR DI DANANTARA



Conflicts of interest in Danantara's governance structure are a crucial issue that has the potential to weaken the application of the *Business Judgment Rule (BJR)* principle. The appointment of political figures such as active ministers, former presidents, party leaders, or other public officials to supervisory board or commissioner positions creates a situation where business decisions can be influenced by political, electoral, or personal interests, rather than solely by economic rationality and corporate vision (Nahariah, 2024). Such political appointments create structural bias in decision-making because public officials who hold concurrent positions at Danantara often have dual loyalties. On the one hand, they have a responsibility as company managers to prioritize the interests of the corporation and the state; on the other hand, they also carry the interests of political institutions, ministries, or certain groups that can influence the direction of company policy. In practice, this condition can result in subjective business decisions, such as determining investment projects that benefit certain parties, procurement directed towards political relations, or expansion policies that are in line with short-term political agendas. Such situations have the potential to obscure the principle of *good faith* in BJR, because decisions that formally appear to be business decisions may actually be

driven by non-business motives. As a result, *business judgment*, which should be a manifestation of the professionalism and prudence of the board of directors, becomes a covert political instrument. In this context, legal protection through BJR can be misused to protect decisions that are not based on objective considerations, thereby weakening the principle of corporate responsibility. To prevent this, the new BUMN Bill has introduced a prohibition on dual positions for public officials in the board of directors, commissioners, and supervisory board, which is a strategic step to maintain the independence of state-owned corporations. This prohibition is expected to ensure that every decision within Danantara is made professionally, rationally, and based on *good corporate governance*, not due to political pressure or group interests. Thus, the principles of *good faith* and *duty of care* in BJR can truly function as protection for directors who work for the interests of the company and the state, not as a political shield. It can therefore be concluded that the implementation of *business judgment rules* based on Law 1/2025 can be carried out properly to prevent the criminalization of investment if law enforcement officials can interpret the articles correctly and can examine whether the decisions made by the directors fulfill elements such as good faith and the principle of prudence and are in accordance with the law. If law enforcement officials can also interpret the articles properly, the implementation of *business judgment rules* can be carried out effectively. Furthermore, with the recent passage of the revised State-Owned Enterprises Bill, there is *potential* for the implementation of BJR to improve even further in the future.

The success of *the Business Judgment Rule* (BJR) depends not only on the clarity of legal norms, but also on the level of public trust in the mechanisms of transparency and accountability in the governance of state-owned enterprises. According to Mirza (2020), public perception of the integrity of BUMN directors is key to assessing the legitimacy of BJR implementation. When the public sees that directors can be exempt from legal responsibility simply by claiming to have acted in "good faith," the potential for public mistrust and suspicion of abuse of authority will increase. This condition can lead to *moral hazard*, namely excessive risk-taking behavior by directors because they feel

protected by BJR without effective supervision (Lestari & Putra, 2023). Therefore, the BJR principle must be balanced with strong transparency mechanisms and a measurable supervision system to ensure that such legal protection is not abused. In the context of *good corporate governance (GCG)*, transparency is one of the fundamental pillars that ensures that every decision made by the board of directors is legally and morally accountable (OECD, 2015).

Several mechanisms that need to be strengthened include the periodic publication of audit results. Danantara's financial and operational audit results should be published openly, at least in annual reports that are accessible to the public. Audit transparency provides *checks and balances* on potential irregularities in business decision-making (Handoko & Lestari, 2025), *compliance-based supervision reporting* to shareholders (the government). Compliance reports must be prepared with consistent standards to ensure that every investment or cooperation decision has gone through an adequate *due diligence* and risk analysis process (Aggistri & Gunadi, 2025). This system also strengthens the supervisory function of the state as the majority shareholder without having to interfere with management independence. Complete documentation of *due diligence* for every investment decision. According to Hadi et al. (2021), all strategic decisions made by BUMN directors need to be supported by well-documented feasibility studies. This documentation serves as concrete evidence that the decisions were made based on rational business considerations and not political or personal interests. Strengthening the role of the Audit Committee and Independent Commissioners. The Audit Committee and Independent Commissioners serve as internal supervisors who bridge the interests of the public and the corporation. Ratuwala (2024) emphasizes that the independence and professionalism of these two institutions determine the extent to which BJR can be implemented without causing conflicts of interest.

These measures will ensure that BJR does not become a "legal shield" for negligent or unethical decisions, but rather an instrument of protection for directors who act in good faith, with prudence and professionalism. From the perspective of modern corporate law, the balance between legal protection and public accountability is a key requirement for BJR to function effectively in

promoting business innovation while maintaining public trust in Danantara as a state-owned corporation (OECD, 2015; Mirza, 2020).

Conclusion

Danantara, as a national investment fund management institution (sovereign wealth fund) under Law Number 1 of 2025, has the strategic objective of optimizing BUMN assets and strengthening the national economy. However, its implementation still faces a number of challenges, particularly in terms of governance and enforcement of the BJR principle. The main problems lie in the existence of dual positions held by ministers or public officials in the Danantara structure, restrictions on the authority of the Supreme Audit Agency (BPK) in financial audits, and the potential for abuse of the BJR principle, which could undermine public trust if not closely monitored. The Business Judgment Rule principle as stipulated in Article 9F of Law 1/2025 provides legal protection for directors who act in good faith, with due care, and without conflicts of interest. However, to prevent it from becoming a "legal shield" for negligent or politically motivated actions, it is necessary to strengthen the Good Corporate Governance mechanism through an independent audit system, transparent due diligence, and accountable decision-making documentation. Reforming the Danantara management structure and consistent law enforcement are key to ensuring that the implementation of BJR truly supports a healthy and professional investment climate.

With the latest State-Owned Enterprises Bill, Danantara's regulations have now improved with the prohibition of dual positions for state officials and audits conducted by the Supreme Audit Agency (BPK) for Danantara.. Going forward, the implementation of the BJR needs to be accompanied by structural reforms of Danantara's organs so that they are filled by independent professionals, not active public officials. The capacity of law enforcement officials needs to be increased to interpret the BJR proportionally in accordance with the principles of prudence and good faith. A digital audit transparency and public reporting system needs to be implemented to strengthen accountability and maintain

public trust. If these steps are implemented consistently, the application of the Business Judgment Rule within the legal framework of Danantara will become an effective instrument to prevent the criminalization of investment, strengthen the governance of state-owned enterprises, and realize professional and integrity-based management of state investments.

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Acknowledgments

None.

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Competing Interest

The author declares that there are no competing interests related to the research, authorship, or publication of this article.