

Reconfiguring Governance and Control of State-Owned Enterprise Subsidiaries in Indonesia after the Establishment of Danantara

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Abstract

The establishment of the Daya Anagata Nusantara Investment Management Agency, hereinafter referred to as Danantara, through Law Number 1 of 2025 marks a fundamental shift in the governance and control of State-Owned Enterprises (SOEs), including their subsidiaries. This transformation replaces the previous governance model, which relied on the administrative authority of the Ministry of SOEs, with a centralized control framework implemented through investment management and holding mechanisms. This study aims to analyze the changes in governance and control over SOE subsidiaries following the establishment of Danantara, particularly with regard to the limits of state control authority, its implications for the principles of good corporate governance, and legal



accountability within the SOE corporate group structure. The findings indicate that the establishment of Danantara strengthens state control over SOE subsidiaries both structurally and functionally, particularly through capital management, business planning, and the approval of strategic corporate actions, without altering the legal status of subsidiaries as independent limited liability companies. However, such reinforcement of control has the potential to restrict the autonomy of corporate organs and poses challenges to the implementation of the principles of independence and accountability. This study concludes that clear delineation of Danantara's control authority is necessary to ensure consistency with the principle of entity separation and the implementation of good corporate governance.

KEYWORDS

Governance; Control; SOE Subsidiaries; Danantara

Introduction

As a controller of state assets, State-Owned Enterprises (SOEs) play a crucial role in utilizing separated state assets to generate added value for the national economy. In this capacity, SOEs do not function merely as business entities, but also as instruments of the state tasked with safeguarding economic sovereignty through the professional, transparent, and accountable management of state assets, ensuring that economic objectives and public interests remain balanced. The management of such state assets is carried out through the dual role of SOEs, namely as business actors subject to private law principles and operating under corporate governance principles, while simultaneously fulfilling Public Service Obligation (PSO).¹

SOEs occupy an inseparable position within the constitutional framework of Indonesia's economy. As a manifestation of the mandate of

¹ Seni Sri Damayanti, "Kedudukan Anak Perusahaan BUMN dan Kaitannya dengan Keuangan Negara," *UNES Law Review* 6, no. 2 (Desember 2023), <https://doi.org/10.31933/unesrev.v6i2>

Article 33 of the 1945 Constitution of the Republic of Indonesia, SOEs are not merely positioned as profit-oriented business entities, but also as instruments of the state in managing branches of production that are important and strategic to the public interest. In order to carry out this constitutional mandate while enhancing business effectiveness and expansion, SOEs operate not only as single entities but also develop corporate structures through the establishment of subsidiaries and their derivative companies.

Munir Fuady explains that the establishment of subsidiaries may be conducted through a holdingization mechanism, namely the consolidation or grouping of several business entities into a holding structure.² Such holdings may encompass companies operating in similar lines of business or those that remain directly related (inline) to the core business activities of the parent company. The holdingization process is carried out through the acquisition of share ownership in one or more companies and/or through the arrangement and control over one or more other companies, thereby enabling the parent company to exercise control over its subsidiaries. Nevertheless, this holding structure has not yet been fully supported by an adequate legal framework, as the legal form of a holding company has not been specifically regulated under prevailing laws and regulations. Law Number 40 of 2007 concerning Limited Liability Companies continues to affirm that the parent company and its subsidiaries constitute separate and independent legal subjects (separate legal entities), notwithstanding the existence of a special relationship between them as parent and subsidiary companies.³

This holdingization construction is consistent with the theory of separation of responsibilities and limitation of risk, which positions each

² Munir Fuady, *Hukum Perusahaan dalam Paradigma Hukum Bisnis* (Bandung: PT Citra Aditya Bakti, 1999), 19.

³ Qaida Dlarieba Untsa, "Pembentukan Holding Ultra Mikro sebagai Tindakan Privatisasi BUMN," *Notary Journal* 2, no. 1 (2022): 31–50, <https://doi.org/10.19166/nj.v2i1.4894>

entity within a corporate group as an independent legal entity.⁴ In the context of SOEs, state capital participation in a parent SOE is subsequently transformed into capital participation by the SOE in its subsidiaries. This is explicitly stipulated in Article 2A paragraphs (3) and (4) of Government Regulation Number 72 of 2016 concerning Amendments to Government Regulation Number 44 of 2005 on Procedures for State Capital Participation and Administration in State-Owned Enterprises and Limited Liability Companies, which provides that state assets within SOEs transferred to subsidiaries in the form of capital participation are converted into shares or equity and become the assets of the relevant SOE or limited liability company.

Accordingly, share ownership in SOE subsidiaries does not originate directly from the state, but rather from the SOE as a private legal entity. The juridical implication of this construction is that SOE subsidiaries cannot be equated in legal status with SOEs, whether in the form of a Persero or a Perum. Likewise, SOEs cannot be equated with the state. These entities constitute distinct legal subjects and cannot be merged merely on the grounds of capital participation flows that are perceived as reflecting unity of ownership. Capital participation in essence functions as a control instrument exercised through corporate mechanisms and governance structures.⁵

However in practice, the separation of legal status is often hindered by rigid bureaucracy and overlapping regulations, resulting in the suboptimal management of vast state assets for national development purposes. This condition is further exacerbated by a high dependency on fiscal budgets and the limited flexibility of SOEs to pursue global expansion due to their continued subjection to sectoral administrative procedures within

⁴ Dian Puji N. Simatupang, "Diskursus Anak Perusahaan BUMN," Fakultas Hukum Universitas Indonesia, <https://law.ui.ac.id/diskursus-anak-perusahaan-bumn-oleh-dr-dian-puji-n-simatupang/>, diakses 24 Desember 2025.

⁵ Mohammad Rifqi Aziz, "Transformasi Perluasan Makna Kerugian Keuangan Negara atas Anak Perusahaan BUMN," *UNES Law Review* 6, no. 3 (Maret 2024), <https://doi.org/10.31933/unesrev.v6i3>

ministries. The need for long-term economic transformation and investment independence constitutes the primary rationale for the state to establish a more agile and professional investment management institution. The objective is to consolidate national economic strength within a single strategic vehicle capable of attracting foreign capital while accelerating industrial downstreaming and energy sovereignty without burdening the State Budget (APBN).

Significant changes aimed at realizing this vision ultimately materialized following the enactment of Law Number 1 of 2025, as the third amendment to Law Number 19 of 2003 concerning SOEs. Based on the philosophical foundation set forth in the “Considering” section letter b of Law Number 1 of 2025, it is emphasized that the implementation of the role of SOEs in the national economy is no longer fully aligned with the dynamics and complexity of contemporary and future economic developments. Therefore, a fundamental transformation in SOE management is required through a more structured, integrated, and sustainable mechanism. Normatively, this legislative mandate aligns with the pursuit of **Goal 16 of the Sustainable Development Goals (SDGs), namely Peace, Justice, and Strong Institutions**, which specifically promotes the establishment of effective, accountable, and inclusive institutions at all levels.⁶

Through the amendments to Article 3A paragraphs (1) to (5) of Law Number 1 of 2025, the position of the President as the holder of authority over SOE management is reaffirmed, while simultaneously introducing a new mechanism for managing state ownership through the establishment of an SOE management body and the delegation of authority to a designated entity as the state shareholder. The entity in question is the Daya Anagata Nusantara Investment Management Agency, hereinafter referred to as Danantara. From a juridical and strategic perspective, the establishment of

⁶ Badan Pusat Statistik, *Indikator Tujuan Pembangunan Berkelanjutan Indonesia 2023*, vol. 7 (Jakarta: Badan Pusat Statistik, 2023).

Danantara aims to transform Indonesia into a state possessing a Super Holding capable of consolidating national economic strength through centralized and professional asset management. This step is taken as a solution to the limitations of the previous structure, which was deemed incapable of clearly separating the state's role as regulator from its role as shareholder in the global investment arena. By adopting a Sovereign Wealth Fund model inspired by Temasek Holdings of Singapore, Danantara is designed to integrate various strategic sectors to accelerate long-term development programs.⁷

The presence of Danantara signifies a shift in the pattern of SOE control, from one previously exercised technically through the Ministry of SOEs to one managed by a specialized body vested with an investment management mandate. This shift carries implications for control relationships between the state, SOEs, and SOE subsidiaries, particularly in relation to strategic decision-making and corporate oversight. These implications are further reinforced by the expanded definition of SOE subsidiaries under Article 1 point 2 of Law Number 1 of 2025, which encompasses not only direct subsidiaries but also all derivative companies established by SOEs in furtherance of their business interests. In addition, Article 62M of Law Number 1 of 2025 grants SOEs the authority to establish subsidiaries and to hold shares with special rights therein. This regulatory framework has the potential to strengthen shareholder control over subsidiaries, even within complex ownership structures.

From a corporate governance perspective, the strengthening of state control over SOE subsidiaries must be critically examined in relation to the application of good corporate governance principles. The principles of transparency, accountability, responsibility, independence, and fairness

⁷ Komang Genta Suryana, Ni Luh Gede Astariyani, dan Anak Agung Gde Ananta Wijaya Sahadewa, "Comparison of Financial Institution Supervision between Indonesia's Danantara and Singapore's Temasek Holdings," *International Journal of Business, Law, and Education* 6, no. 2 (2025), <https://ijble.com/index.php/journal/article/view/1217>

require that corporate organs retain adequate space to perform their functions and responsibilities professionally. Excessive control may undermine the independence of the Board of Directors and the Board of Commissioners and create ambiguity regarding legal accountability for business decisions undertaken.

A number of prior studies have examined the dynamics of control relationships between parent SOEs and their subsidiaries, particularly within the framework of restructuring and holding formation. The establishment of Danantara further expands the scope of such studies, as it introduces a fundamental shift in the pattern of state control over SOEs and their subsidiaries. Setiawan (2025), in his article *Tata Kelola BUMN Paska Pemberlakuan UU No. 1 Tahun 2025: Sebuah Tinjauan Kritis Berdasarkan Teori Kepastian Hukum*, menyoroti bahwa perubahan ketiga Undang-Undang BUMN, highlights that the third amendment to the SOE Law carries serious implications for legal certainty in SOE management. The shift in the state's role from shareholder to strategic policy controller through the establishment of Danantara necessitates clear boundaries of authority to prevent the conflation of regulatory and corporate functions. This study serves as an important starting point for understanding the transformation of the SOE legal framework following the establishment of Danantara.⁸

Padmawati and Adilla (2024), in their study *Perlinungan Hukum terhadap Hubungan Induk Perusahaan dan Anak Perusahaan dalam Holding Company BUMN*, emphasize that although subsidiaries are under the control of the parent company through share ownership, the principles of separate legal entity and limited liability must be preserved. The study underscores that the control exercised by parent SOEs should be clearly

⁸ Danu Ade Setiawan, "Tata Kelola BUMN Paska Pemberlakuan UU No. 1 Tahun 2025: Sebuah Tinjauan Kritis Berdasarkan Teori Kepastian Hukum," *Al Wasath: Jurnal Ilmu Hukum* 6, no. 2 (2025), <https://doi.org/10.47776/alwasath.v6i2/1794>

limited and must not evolve into operational intervention that could obscure the boundaries of legal responsibility among entities.⁹

Furthermore, Arsyah and Suryono (2025), through the study *Status Hukum Anak Perusahaan BUMN: Antara Entitas Hukum Mandiri dan Pengendalian Induk*, examines the juridical dilemma that arises when SOE subsidiaries are formally positioned as independent limited liability companies but are factually subject to strong parent company control. The study demonstrates that the intensity of parent company control may affect the limited liability character of subsidiaries if not balanced by sound corporate governance.¹⁰

Rahmadi Tektona and Edi Wahjuni (2023), in the article *The Concept of State-Owned Corporation Subsidiary Governance Incompatible with the Core Business*, analyze governance issues of SOE subsidiaries within holding structures. Their research indicates that misalignment between the policies of the parent SOE and the core business of its subsidiaries may weaken control effectiveness and generate ambiguity in accountability within SOE corporate groups. The study further emphasizes that parent company control is not determined solely by share ownership, but also by policy alignment and group governance coherence.¹¹

The study by Majidha, Zanetti, and Ristiana (2024) on *Pertanggungjawaban Holding Company BUMN terhadap Kepailitan Anak Perusahaan* asserts that although SOE subsidiaries are juridically independent legal entities, the degree of parent company control particularly in strategic policy, financial, and decision-making aspects may

⁹ Sativa Nisya Padmawati dan Aisyah Adilla, "Perlindungan Hukum terhadap Hubungan Induk Perusahaan dan Anak Perusahaan dalam Holding Company BUMN," *Birokrasi: Jurnal Ilmu Hukum dan Tata Negara* 2, no. 1 (2024), <https://doi.org/10.55606/birokrasi.v2i1.895>

¹⁰ Muhammad Haikal Arsyah dan Arief Suryono, "Status Hukum Anak Perusahaan BUMN: Antara Entitas Mandiri dan Kendali Negara," *Indonesian Journal of Social Sciences and Humanities* 5, no. 1 (2025): 99–107, <https://journal.publication-center.com/index.php/ijssh/article/download/1778/500>

¹¹ Rahmadi Tektona dan Edi Wahjuni, "The Concept of State-Owned Corporation Subsidiary Governance Incompatible with the Core Business," *International Journal of Social Service and Research (IJSSR)* 3, no. 2 (2023), <https://doi.org/10.46799/ijssr.v3i2.236>

give rise to legal liability implications for the parent company. This research demonstrates that the doctrine of limited liability is not absolute where significant dominance and intervention by the parent company can be proven.¹²

Although various prior studies have examined governance dynamics and control relationships within SOE holding structures, such analyses generally remain focused on the conventional legal regime preceding the establishment of Danantara. To date, there remains a gap in the literature concerning the juridical implications of Danantara's formation following the enactment of Law Number 1 of 2025, particularly with respect to changes in governance patterns and the boundaries of state control over SOE subsidiaries from a corporate law perspective. This absence necessitates a more in-depth legal analysis to assess the compatibility of strengthened state control with good corporate governance principles and the doctrines of entity separation and limitation of liability.

The novelty of this research lies in its effort to analyze the synchronization between Danantara's institutional mandate and **the objective of building effective and accountable institutions as reflected in Goal 16 of the Sustainable Development Goals (SDGs)**. This study not only captures normative institutional changes but also examines their implications for the legal position of SOE subsidiaries as limited liability companies subject to corporate law principles. The urgency of this research is further underscored by the fact that, starting in 2026, Danantara is targeted to become a primary driver of national economic growth through the optimization of super holding SOE management and the enhancement of state investment efficiency.

¹² Agitha Cindy Qhoyrita Majidha, Az Zahra Adhelistya Putthi Zanetti, dan Uut Ristiana, "Analisis Pertanggungjawaban Holding Company Badan Usaha Milik Negara (BUMN) terhadap Kepailitan Anak Perusahaan Dilihat dari Perspektif Hukum Perusahaan," *Jurnal Ilmiah Penelitian Mahasiswa (JIPM)* 2, no. 6 (Desember 2024), <https://doi.org/10.61722/jipm.v2i6.513>

Based on the foregoing background, this study aims to analyze changes in the governance and control of SOE subsidiaries following the establishment of Danantara, particularly with respect to the limits of state control authority, implications for good corporate governance principles, and legal accountability within SOE corporate group structures. Through a legal and public policy approach, this article is expected to contribute academically to the development of state asset management models that are not only relevant for Indonesia but also for other developing countries seeking to achieve investment independence while strengthening institutional integrity in accordance with international standards.

Methods

This study constitutes a normative legal research. The analysis focuses on the examination of legal norms and juridical constructions governing the governance and control of subsidiaries of State-Owned Enterprises (SOEs) following the establishment of the Daya Anagata Nusantara Investment Management Agency (Danantara). The research is conducted through an examination of the legal framework and corporate law concepts relevant to the management of SOEs within a holding structure. The approaches employed include the statutory approach and the conceptual approach.¹³ The statutory approach is used to examine changes in regulatory arrangements and authority structures in the governance and control of SOEs after the formation of Danantara, while the conceptual approach is applied to analyze the concepts of control, entity separation, and legal liability within corporate groups. The analysis is carried out qualitatively by interpreting legal norms and doctrines developed in corporate law and systematically organizing them to explain the juridical implications of strengthened state control over the legal position of SOE subsidiaries.

¹³ Soerjono Soekanto dan Sri Mamudji, *Penelitian Hukum Normatif: Suatu Tinjauan Singkat* (Jakarta: Rajawali Pers, 1995), 13.

Result and Discussion

1. Legal Framework of Governance and Control over SOE Subsidiaries Prior to the Establishment of Danantara

1.1. State Authority Pathways and the Position of Shareholder

Prior to the establishment of Danantara, the legal framework governing the management of State-Owned Enterprises (SOEs) and their subsidiaries was primarily based on Law Number 19 of 2003 concerning State-Owned Enterprises. The state was positioned as the direct owner of SOEs through the mechanism of state capital participation. This is reflected in the definition of SOEs as business entities whose capital is wholly or predominantly owned by the state through direct participation derived from separated state assets. Within this structure, the Minister of SOEs acts as the representative of the Central Government in its capacity as the state shareholder. This position is normatively affirmed in Article 14 paragraph (1) of Law Number 19 of 2003, which grants the Minister of SOEs the authority to represent the state in the General Meeting of Shareholders (GMS).

The construction of the Minister of SOEs' authority in the GMS is differentiated based on the composition of state share ownership in a Persero. With respect to a Persero whose shares are wholly owned by the state, the Minister of SOEs exercises the full functions of the GMS. In such cases, every decision made by the Minister of SOEs holds legal standing equivalent to a GMS resolution and therefore does not require approval from any other shareholder. Conversely, in a Persero whose shares are not wholly owned by the state, as long as the state retains at least 51% share ownership, the Minister of SOEs acts as the state shareholder alongside

other shareholders, whether private or public.¹⁴ In this context, decision-making is carried out through the GMS mechanism as regulated under the Limited Liability Company Law, while taking into account the proportion of voting rights held by each shareholder. Accordingly, the authority of the Minister of SOEs is not exercised unilaterally, but collectively through the GMS.

The construction underscores that prior to the establishment of Danantara, the state's authority over SOEs was exercised through corporate mechanisms rather than through direct administrative relationships. The state operated in its capacity as a shareholder, not as the operational manager of the company. This interpretation has been consistently maintained in SOE legal doctrine, including following the enactment of Law Number 1 of 2025, insofar as it concerns the legal relationship between the state and SOE holding companies.

In contrast to SOEs, SOE subsidiaries are not juridically classified as SOEs. SOE subsidiaries take the form of limited liability companies whose shares are owned by SOEs, either through majority ownership or effective control. This definition is consistent with prevailing practice and legal doctrine, which has subsequently been articulated more technically in Minister of SOEs Regulation Number PER-3/MBU/03/2023 concerning the Organs and Human Resources of SOE Subsidiaries, emphasizing the element of control rather than direct ownership by the state.

Because the shares of SOE subsidiaries are not directly owned by the state but by SOEs, such subsidiaries do not fall within the scope of SOEs as defined under the SOE Law. Conceptually, this condition is rooted in the doctrine of separated state assets, which positions state capital participation in SOEs as a separation of state assets from the State Budget (APBN). When an SOE subsequently invests its capital in a subsidiary, such assets do not

¹⁴ Rizal Choirul Ramadhan, "Kedudukan Hukum Badan Usaha Milik Negara Sebagai Anak Perusahaan dalam Perusahaan Holding Induk", *Media Iuris* 4, no. 1 (2025), 10.20473/mi.v4i1.23669

revert to state assets, but instead become corporate assets subject to the private law regime.

The juridical consequence of this construction is that the governance of SOE subsidiaries is fully subject to the Limited Liability Company Law and the company's articles of association. Formal control over subsidiaries rests with the SOE as the shareholder, exercised through GMS mechanisms, the appointment and dismissal of the Board of Directors and the Board of Commissioners, and the approval of certain corporate actions. The Minister of SOEs does not possess direct authority over SOE subsidiaries, as such authority normatively terminates at the level of the SOE holding. Any influence over subsidiaries can only be exercised indirectly through policies and instructions directed at the SOE holding company, for example in the context of restructuring, holding formation, or the determination of portfolio policy directions.¹⁵

1.2. Corporate Control Mechanisms over SOE Subsidiaries

1.2.1. Corporate Business Planning and Approval by the General Meeting of Shareholders

Prior to the establishment of Danantara, control over SOE subsidiaries was primarily exercised through the approval of business plans discussed and ratified within the General Meeting of Shareholders (GMS) mechanism. Normatively, the GMS is positioned as the highest organ of a Persero, with the Minister of SOEs acting as the representative of the state in its capacity as shareholder, as affirmed in Article 14 paragraph (1) of Law Number 19 of 2003 concerning State-Owned Enterprises. The business plan functions not merely as an administrative

¹⁵ Muhammad Sabil Bakti, "Analisis Tentang Konsep Holding Ultra Mikro BUMN Ditinjau dari Aspek Hukum Persaingan Usaha," *Perkara: Jurnal Ilmu Hukum dan Politik* 2, no. 2 (Juni 2024), <https://doi.org/10.51903/perkara.v2i2.1891>

document, but as the principal instrument through which shareholders exercise strategic control over corporate direction and risk.

In practice, the Board of Directors of SOEs prepares such business plans in the form of the Corporate Work Plan and Budget (Rencana Kerja dan Anggaran Perusahaan – RKAP), which generally contains financial performance projections, investment and expansion plans, revenue targets and cost efficiency measures, funding strategies, and business risk mitigation. The RKAP is subsequently submitted for approval at the annual GMS. This arrangement is consistent with general principles of corporate law as regulated under Article 63 of the Limited Liability Company Law, which positions the GMS as the forum for approving the company's strategic policies.¹⁶

The control scheme over SOE subsidiaries is hierarchical in nature and exercised indirectly. Subsidiaries are first required to prepare their business plans, which are then consolidated at the level of the SOE holding company. These consolidated plans are subsequently approved through the GMS of the SOE holding company, without the direct involvement of the state in the GMS of the subsidiaries. This construction affirms that the state does not act as the operational manager of SOE subsidiaries and preserves the separation between ownership authority and management authority.

1.2.2. Strategic Corporate Actions

Under the regime of the Limited Liability Company Law, corporate actions that have strategic impacts on the structure, control, and continuity of a company—such as mergers,

¹⁶ Andari Wibawa dan S. Sumriyah, “Kedudukan Hukum RUPS pada Perusahaan Holding Company di Indonesia,” *Jurnal Hukum, Politik, dan Ilmu Sosial* 2, no. 2 (2023): 84.

consolidations, acquisitions, and spin-offs—are explicitly classified as fundamental corporate actions falling within the authority of the General Meeting of Shareholders (GMS). This construction is reflected in the provisions of Chapter VIII of Law Number 40 of 2007 concerning Limited Liability Companies, particularly Articles 122 to 137, which require GMS approval as a prerequisite for the lawful implementation of such corporate actions.

Each proposed corporate action of an SOE subsidiary is formulated based on corporate needs and the group’s business strategy and is subsequently decided through the GMS mechanism of the subsidiary, with the parent SOE acting as the majority shareholder. The GMS of the subsidiary is convened in accordance with the company’s Articles of Association and the Limited Liability Company Law, without any obligation to obtain assessments, recommendations, or approvals from a centralized state investment management entity.¹⁷ Accordingly, decision-making remains within a single tier of control, namely at the level of the parent SOE as shareholder.

This practice is reflected in various restructuring processes and the establishment of sectoral SOE holdings, where changes in control structures and business consolidation are carried out through GMS resolutions in accordance with corporate law mechanisms. The role of the state is exercised indirectly through the parent SOE as shareholder, while corporate authority remains vested in the organs of the company. Thus, the state does not exercise direct control over the corporate actions of subsidiaries,

¹⁷ Ika Apri Handayani, Suartini Suartini, dan Fokky Fuad, “Konsep Materialitas dalam Aksi Korporasi Anak Cucu BUMN Berdasarkan Undang-Undang Perseroan Terbatas,” *Binamulia Hukum* 12, no. 2 (2023): 393–402, <https://doi.org/10.37893/jbh.v12i2.618>

but rather through share ownership instruments at the parent company level.

Normatively, all legal actions of subsidiaries relating to amendments to the Articles of Association indeed require shareholder approval, thereby limiting the parent company's supervisory role to its position as shareholder and to the provisions stipulated in the subsidiary's Articles of Association. Nevertheless, in practice, the influence of the parent company over the subsidiary often extends beyond these formal boundaries. The parent company not only determines long-term strategic policy directions but also makes decisions that directly affect the subsidiary's business continuity and operational policies.¹⁸

Although juridically the parent and subsidiary are separate legal entities, functional relationships and joint management within the SOE group structure create a strong economic unity. This pattern of control underscores that, prior to the establishment of Danantara, control over SOE subsidiaries continued to be exercised within the framework of corporate governance through company law mechanisms, without obscuring the status of subsidiaries as independent legal entities separate from the state.

1.2.3. Intra-Group Funding and Financing

From the perspective of intra-group funding and financing, financial relations between SOEs and their subsidiaries prior to the establishment of Danantara were conducted within the framework of a corporate group, in which the parent SOE

¹⁸ Erni Istiyanti, "Analisis Hukum Persaingan Terhadap Holdingisasi BUMN Berdasarkan Konsep Doktrin 'Single Economic Entity,'" *Sanskara Hukum dan HAM (SHH)* 2, no. 3 (April 2024): 137–143, <https://sj.eastasouth-institute.com/index.php/shh>

functioned as the center of financial control. Commonly applied funding schemes included capital injections, intra-group loans, the provision of guarantees, and cash flow arrangements among entities within the same corporate group. All such schemes were, in principle, intended to ensure business continuity and financing efficiency at the subsidiary level.

Normatively, capital injections and the provision of loans by SOEs to their subsidiaries constitute an exercise of shareholder and board of directors' authority under corporate law, provided that such actions are carried out in accordance with the Articles of Association and obtain GMS approval when they meet the criteria of material transactions as referred to in Article 102 of Law Number 40 of 2007 concerning Limited Liability Companies.

Intra-group funding policies were formulated by the parent SOE or sub-holding companies based on general guidelines established by the Ministry of SOEs. The Ministry of SOEs did not directly manage or channel funds to subsidiaries, but instead set governance standards, risk limits, and prudential principles to be observed by parent SOEs in exercising their financial control functions. Under this construction, financial relationships between SOEs and their subsidiaries remained within the domain of private law and corporate mechanisms, rather than constituting administrative relationships between the state and business entities.

Such funding arrangements were casuistic in nature and reflected the application of the principles of separate legal entity and limited liability, whereby each subsidiary bore independent responsibility for its financial obligations, while the involvement of the SOE holding company was limited to its capacity as

shareholder or creditor.¹⁹ Financial risks borne by subsidiaries were not automatically transferred to the state, but were managed within the group through legitimate corporate law instruments.

Accordingly, prior to the establishment of Danantara, financial management and investment within SOE groups had not yet been placed under a centralized, strategic, and cross-sectoral authority regime. There was no state investment management body vested with a specific mandate to coordinate, control, and optimize SOE funding and investment in an integrated manner, as is commonly found in sovereign wealth fund models. Financial control remained dispersed among individual parent SOEs, with the Ministry of SOEs serving as a general policy supervisor rather than as a direct investment manager.

1.2.4. Appointment of Corporate Organs and the Protection of the Business Judgment Rule

Prior to the establishment of Danantara, control over SOE subsidiaries was also exercised through authority over the appointment and dismissal of members of the Board of Directors and the Board of Commissioners. Normatively, Law Number 40 of 2007 concerning Limited Liability Companies vests such authority in the General Meeting of Shareholders (GMS), as regulated under Article 94 with respect to the Board of Directors and Article 111 with respect to the Board of Commissioners. Within the SOE group structure, the GMS of subsidiaries is exercised by the parent SOE as the controlling shareholder, thereby placing policies on the appointment and performance

¹⁹ Maria R.U.D. Tambunan, Haula Rosdiana, dan Edi Slamet Irianto, "Transfer Pricing on Intra-Group Financing in the Manufacturing Industry in Indonesia – An Essay on Tax Court Decisions (2014–2019)," *International Transfer Pricing Journal*, no. 3 (2021): 205–209.

evaluation of subsidiary organs under corporate control rather than under the administrative authority of the state.

This construction affirms that the state does not possess direct authority to appoint or dismiss directors or commissioners of SOE subsidiaries. All such decisions are taken through the GMS mechanism in accordance with the Articles of Association and corporate law principles. Accordingly, the relationship between the parent SOE and its subsidiaries remains within the realm of private law, while preserving the status of subsidiaries as independent legal entities separate from the state.

In the context of corporate management accountability, legal protection for directors and commissioners of SOEs and their subsidiaries prior to the establishment of Danantara relied primarily on the doctrine of the Business Judgment Rule (BJR) as developed in corporate law. Normative recognition of this protection is reflected in Article 97 paragraph (5) and Article 114 paragraph (5) of Law Number 40 of 2007 concerning Limited Liability Companies, which in principle exempt directors and commissioners from liability for corporate losses provided that it can be demonstrated that their actions were undertaken in good faith, with due care, and without conflicts of interest.²⁰

Nevertheless, prior to the third amendment of the SOE Law, the Business Judgment Rule doctrine had not been expressly and specifically articulated within the SOE legal regime. As a result, the application of the BJR to the organs of SOEs and their subsidiaries remained largely interpretative, relying on the provisions of the Limited Liability Company Law and general doctrines of corporate law. This condition placed legal protection

²⁰ Juneidi Coloay, "Pengawasan Keuangan Negara pada BUMN melalui Penerapan Prinsip *Business Judgment Rule*," *Jurnal Hukum Positum* 7, no. 2 (2022) 192-204, <https://doi.org/10.35706/positum.v7i2.7044>

for SOE and subsidiary organs in a relatively contingent position, dependent upon judicial and doctrinal interpretation, and lacking explicit normative affirmation within sector-specific SOE legislation.

2. Legal Framework of Governance and Control over SOE Subsidiaries After the Establishment of Danantara

2.1. Transformation of the Control Structure of State-Owned Enterprises (SOEs) and Their Subsidiaries

Law No. 1 of 2025, which constitutes the Third Amendment to Law No. 19 of 2003 on State-Owned Enterprises (SOEs), positions Danantara as a body specifically mandated to manage SOEs, as stipulated in Article 3F paragraph (1). At the same time, Article 3B of Law No. 1 of 2025 affirms that the Minister, acting as the representative of the Central Government, functions as a regulator responsible for formulating policies, regulating, fostering, coordinating, and supervising the implementation of SOE management policies.

To carry out this mandate, Danantara is granted the authority to establish a special entity in the form of an Investment Holding. Article 3AB paragraphs (1) to (4) of Law No. 1 of 2025 provide that the Investment Holding shall be established as a limited liability company, all of whose shares are owned by Danantara.²¹ This holding is tasked with managing investments, leveraging SOE assets to enhance investment value, and performing other duties as determined by Danantara, as stipulated in Article 3AB paragraph (2). This construction indicates a deliberate

²¹ Vincentius Sulung Sumaryanto dan Annisa Fitria, "Pengawasan Proses Pemindahan Aset BUMN KR BPI Danantara Secara Perdata," *Arus Jurnal Sosial dan Humaniora* 5, no. 2 (2025): 1776–1787, <https://jurnal.ardenjaya.com/index.php/ajsh>

separation between the portfolio management and value optimization functions of SOEs and their day-to-day operational activities.

In parallel, the amendment also introduces the concept of an Operational Holding, which is established as an SOE with capital ownership held by the state and Danantara. The existence of the Operational Holding is affirmed in Government Regulation No. 10 of 2025 *jo.* Articles 3AD to 3AN of Law No. 1 of 2025. The Operational Holding is responsible for managing the operational activities of SOEs and carrying out other assignments as determined by the Minister of SOEs and/or Danantara. Through this bifurcation, SOE management is no longer centralized within a single chain of authority, but instead implemented through a clear division of roles between investment functions and operational functions.

This structural transformation is further reinforced by Article 3AA paragraph (2) of Law No. 1 of 2025, which stipulates that insofar as matters are specifically regulated under the SOE Law, provisions concerning separated state finances, state treasury, non-tax state revenue, and limited liability companies shall not apply to Danantara, subject to compliance with the principles of good governance and good corporate governance. This norm provides Danantara with special flexibility in managing SOE portfolios and corporate groups, while simultaneously marking the emergence of a distinct legal regime that departs from the previous model of SOE governance.

2.2. Control over SOE Subsidiaries after the Establishment of Danantara

Following the establishment of Danantara, control over SOE subsidiaries is no longer understood solely as a relationship of direct ownership between the state and the corporation, but has undergone a structural and functional reconfiguration within the framework of SOE group management. This shift is particularly evident in the aspects of

structural control and ownership, which are now placed within an integrated system under Danantara as the central manager of SOEs.

2.2.1. Structural and Ownership Control

(i) Establishment and Legal Status of Subsidiaries

Doctrinally, SOE subsidiaries continue to be excluded from the legal classification of State-Owned Enterprises. The capital of subsidiaries is derived from the assets of SOEs or holding companies, rather than from direct state capital participation sourced from the State Budget (APBN). This construction is consistent with the doctrine of separation of state assets, as derived from Article 1 of Law No. 19 of 2003 *jo.* Law No. 1 of 2025, as well as Article 62M of Law No. 1 of 2025.

Nevertheless, Article 62N of Law No. 1 of 2025 introduces a new dimension of control, requiring that the establishment of SOE subsidiaries must form part of the Work Plan and Corporate Budget (RKAP) of the Investment Holding, the Operational Holding, or the relevant SOE. This provision marks a significant shift, as the formation of subsidiaries and sub-subsidiaries is no longer entirely within the autonomous corporate discretion of the parent SOE, but must instead be integrated into the group-wide business planning framework subject to the supervisory system of Danantara.

Accordingly, the establishment of subsidiaries is no longer positioned as an atomistic corporate decision, but rather as an integral component of the planning and management of the SOE group's business activities, which are subject to consolidated planning, coordination, and performance evaluation mechanisms. Implicitly, this provision extends the scope of Danantara's control from the level of parent SOEs to the subsidiary and sub-subsidiary structure, without altering

the legal status of subsidiaries as ordinary limited liability companies under private law.

(ii) Ownership Structure and Capital Participation

Structural control is further reinforced through control over capital flows and dividend allocation. Pursuant to Article 3F paragraph (2) of Law No. 19 of 2003 as amended, and its implementing regulations under Government Regulation No. 10 of 2025, Danantara is vested with the authority to manage dividends of SOEs and holding companies, as well as to grant approval for increases or reductions in capital participation in SOEs derived from such dividends.

As a consequence, the capacity of SOEs or holding companies to:²²

- a. inject capital into subsidiaries;
- b. participate in subsidiaries' rights issues; and
- c. establish new sub-subsidiaries;

becomes contingent upon the capital allocation policies determined by Danantara. In this respect, control is no longer exercised through direct instructions addressed to subsidiaries, but rather through control over financial resources that effectively shape the strategic latitude of SOEs and holding companies in developing their group structures.

This model of control reflects a shift from direct ownership control to financial and portfolio-based control, whereby Danantara functions as the ultimate capital allocator within the SOE ecosystem. Although Danantara does not formally act as a direct shareholder of subsidiaries, its decisions

²² Chintya Dewi Restyana S., Nikmah Mentari, dan Sri Eka Wulandari, "Kepailitan Terhadap Anak Perusahaan dalam Holding Company Badan Usaha Milik Negara," *Jurnal Hukum IUS QUIA IUSTUM* 26, no. 2 (Mei 2021): 349–371, <https://doi.org/10.20885/iustum.vol26.iss2.art7>

concerning dividend management and capital participation in practice determine the trajectory of expansion, restructuring, and consolidation of SOE subsidiaries and sub-subsidiaries.

(iii) The Holding Company as a Layer of Control

The restructuring of SOEs into investment holding and operational holding schemes further accentuates the transformation of control layers. A significant number of SOEs that previously functioned as direct parent companies of subsidiaries have been repositioned as subsidiaries of holding companies. From the perspective of corporate law, this restructuring carries important legal consequences: once the shares of a company are no longer directly held by the State, the company ceases to qualify as an SOE and is instead reclassified as a subsidiary of an SOE or a holding company.

As a result, the chain of control over subsidiaries becomes multi-tiered, namely: Danantara → Investment Holding/Operational Holding → former SOEs (as holding subsidiaries) → Subsidiaries. This layered structure demonstrates that, following the establishment of Danantara, state control over SOE subsidiaries is no longer direct or administrative in nature, but is mediated through corporate structures and group management mechanisms. The State, acting through Danantara, does not constitute an organ of the company; rather, it exercises strategic influence over the group through ownership management and capital allocation policies at the holding level.

2.2.2. Control over Business Plans and Corporate Actions

(i) Work Plan and Corporate Budget (RKAP) and Strategic Approval Mechanism

Following the establishment of Danantara, control over the business plans and corporate actions of SOE subsidiaries has undergone a significant shift through corporate planning instruments. Article 62N of Law No. 1 of 2025 expressly requires that the establishment of SOE subsidiaries be incorporated into the Work Plan and Corporate Budget (RKAP) of the Investment Holding, the Operational Holding, or the relevant SOE. This provision marks an important departure from the previous framework, as the formation of subsidiaries and sub-subsidiaries is no longer positioned merely as an internal corporate decision of the parent SOE, but rather as part of a group-wide business plan subject to a tiered approval mechanism.

Furthermore, pursuant to the implementing provisions of Government Regulation No. 10 of 2025, as elaborating Article 3F of Law No. 1 of 2025, the RKAP of the Investment Holding and the Operational Holding must not only be approved by Danantara, but also consulted with the relevant committees of the House of Representatives overseeing SOEs. As a consequence, any strategic plan affecting the group structure including the establishment, acquisition, merger, spin-off, or restructuring of subsidiaries in de facto cannot be implemented without prior approval (a “green light”) from Danantara.

(ii) Danantara’s Administrative Instruction and the Limitation of Corporate Discretion

The strengthening of Danantara’s control over the business plans and corporate actions of SOE subsidiaries is also evident from administrative practices that have emerged following the enactment of Law No. 1 of 2025. This is reflected in Danantara Letter No. S-027/DI-BP/V/2025, which explicitly affirms that, following the entry into force of Law No. 1 of 2025 and the completion of the inbreng of SOE shares into the Operational Holding and the subsequent inbreng of the Operational Holding’s shares into Danantara as carried out pursuant to Government Regulations No. 15 of 2025 and No. 16 of 2025 the management of SOEs and the investment of dividends fall fully within the authority of Danantara, the Operational Holding, and the Investment Holding. The letter expressly refers to Article 3F paragraph (1), Article 3AC, and Article 3AL of Law No. 1 of 2025 as its normative basis.

Through this letter, Danantara issued directives that have a direct impact on corporate decision-making practices, including:²³

- a. the postponement of all General Meetings of Shareholders (GMS) of SOEs and their direct or indirect subsidiaries that are non-listed companies (non-Tbk), pending comprehensive review and evaluation by Danantara and the Operational Holding;
- b. the requirement to obtain prior review for any strategic corporate actions, including mergers, consolidations,

²³ I Putu Suwantara, I Made Aditya Mantara Putra, dan Johannes Ibrahim Kosasih, “Eksistensi Badan Pengelola Investasi Daya Anagata Nusantara (BPI Danantara) dalam Perspektif Hukum Investasi,” *Kertha Wicaksana: Jurnal Ilmu Hukum* 19, no. 2 (2025), <https://doi.org/10.22225/kw.19.2.2025.121-128>

acquisitions, spin-offs, material investments and divestments, as well as significant long-term contracts; and

- c. the obligation for SOEs and their subsidiaries to submit periodic reports to Danantara and the Operational Holding.

In practical terms, these directives constrain the scope of discretion of corporate organs, particularly the GMS and the board of directors, in planning and executing strategic corporate actions, notwithstanding the fact that, from a formal legal perspective, GMS authority remains vested in the shareholders.

(iii) Implications for the Position of the General Meeting of Shareholders of SOE Subsidiaries

The post-Danantara legal framework and its implementing practices have demonstrably affected the position and function of the General Meeting of Shareholders (GMS) at the level of SOE subsidiaries. Although, in formal terms, GMS authority remains vested in the shareholders—namely the parent SOE or holding company—the substantive space for corporate decision-making is no longer fully situated within the autonomy of corporate organs.

The requirement to incorporate strategic plans into the RKAP approved by Danantara, coupled with administrative directives mandating prior review and approval of GMS agendas and strategic corporate actions, places the GMS of SOE subsidiaries in a position of functional dependence on Danantara's approval. In this regard, while the GMS continues to be conducted in accordance with company law, the

substance of its resolutions has effectively been pre-filtered and directed through centralized control mechanisms.

As a result, control over the business plans and corporate actions of subsidiaries following the establishment of Danantara no longer derives solely from share ownership relationships, but is constructed through a combination of corporate planning instruments, strategic approvals, and administrative directives, forming a layered control system within the SOE group.

2.2.3. Control through Financing Arrangements and Management Contracts

(i) Loans and Guarantees to SOE Subsidiaries

After the establishment of Danantara, intra-group financing instruments have become one of the primary mechanisms for exercising control over SOE subsidiaries. Normatively, this is enabled by Article 3AC letter (e) of Law No. 19 of 2003 on State-Owned Enterprises, as amended by Law No. 1 of 2025, which grants the Investment Holding the authority to provide loans and/or guarantees to the Operational Holding, SOEs, and SOE subsidiaries.

This authority carries significant structural implications, given that the Investment Holding is wholly (100%) owned by Danantara, as stipulated in Article 3AB paragraph (4) of Law No. 1 of 2025.²⁴ Under this legal construction, any loan facilities or guarantees extended to SOE subsidiaries are not

²⁴ Nidia Yustisia Kartika, Muhammad Bilal Prasetyo, dan Mustofa Ponco Wibowo, "Urgensi dan Tata Kelola Super Holding BUMN: Studi Komparatif Danantara Indonesia, Temasek Holdings Singapura, dan 1MDB Malaysia," *Jurnal Hukum Lex Generalis* 6, no. 8 (2025), <https://doi.org/10.56370/jhlg.v6i8.1584>

merely ordinary private-law transactions, but simultaneously function as instruments of corporate control.

In corporate governance practice, financing facilities are typically accompanied by various binding conditions, including: (i) financial and non-financial covenants; (ii) obligations to submit periodic financial and performance reports; and (iii) prior consent clauses requiring the approval of the financing provider before the subsidiary undertakes certain corporate actions, such as incurring additional debt, disposing of material assets, engaging in mergers, or making strategic investments. Through these mechanisms, Danantara acting via the Investment Holding acquires substantial influence over the policy direction and operational discretion of SOE subsidiaries, even without directly acting as a shareholder.

(ii) Management Contracts and Group Governance Guidelines

In addition to financing mechanisms, control over SOE subsidiaries is also exercised through management contracts and group governance guidelines. Article 3AC letters (h) and (i) of Law No. 1 of 2025 grant the Investment Holding the authority to propose management contracts to Danantara and to undertake other actions as determined by Danantara or stipulated in the articles of association.

Within the framework of group governance, management contracts and strategic guidelines established by Danantara and operationalized through the Investment Holding and/or the Operational Holding function as binding management standards applicable to all entities within the group. These instruments typically regulate, inter alia, accounting and

financial reporting standards, investment and financing policies, risk management, legal compliance, internal governance structures, as well as the implementation of sustainability and ESG principles.²⁵

As a result, although, from a juridical standpoint, the directors of SOE subsidiaries remain independent corporate organs under Law No. 40 of 2007 on Limited Liability Companies, from a governance perspective such independence is effectively constrained by the obligation to comply with group-wide policies and standards originating from Danantara

2.2.4. Business Judgment Rule and Liability

(i) Reinforcement of Business Judgment Rule Protection

Law No. 1 of 2025 explicitly expands and clarifies the application of the Business Judgment Rule (BJR) to the organs of Danantara, the Investment Holding, the Operational Holding, and State-Owned Enterprises (SOEs) in the making of business decisions, including decisions related to portfolio management and the restructuring of SOE subsidiaries. This principle affirms that business decisions cannot automatically give rise to legal liability, provided that they are taken in accordance with the standards of due care and good faith.

Normatively, the protection afforded by the Business Judgment Rule requires that business decisions be made in the absence of fault or negligence, on the basis of good faith

²⁵ Agnes Siallagan, Mahmud Siregar, dan Robert, "Tinjauan Yuridis Ditolaknya Pernyataan Pailit Atas Dasar Perlakuan yang Sama pada Anak Perusahaan BUMN," *ACTA Law Journal* 1, no. 2 (Juni 2023): 106–120, <https://doi.org/10.32734/alj.v1i2.12604>

and prudence, without conflicts of interest, and not for the purpose of obtaining unlawful personal benefits.²⁶ This formulation is consistent with the BJR doctrine as traditionally recognized under the Limited Liability Company Law, yet it is now articulated more specifically within the context of SOE governance and state investment management through Danantara.

Through this regulatory framework, the legislature deliberately places investment and restructuring decisions of SOEs decisions that inherently involve business risk within the realm of corporate discretion, rather than treating them as matters subject to automatic legal liability merely because such decisions result in financial losses.

(ii) Implications for Control Structures and Legal Responsibility

The strengthening of the Business Judgment Rule has direct implications for the governance and control patterns of SOE subsidiaries following the establishment of Danantara. Control has become more centralized and proactive, including through corporate restructuring measures, mergers, acquisitions, divestments, and the closure of business units deemed no longer capable of generating economic value.

Nevertheless, although the portfolio management approach has become more assertive and investment-oriented, the legal regime introduced by the third amendment continues to provide a normative shield for the organs of Danantara and the holding companies. As long as such

²⁶ Muhammad Mirza Habibie, Yuliani Catur Rini, Kartika Winkar Setya, dan Sukirno, "Business Judgment Rule in the Amendment of the State-Owned Enterprises Law," *In Concreto: Journal of Law and Policy* 4, no. 2 (2024), <https://doi.org/10.35960/inconcreto.v4i2.1904>

decisions are taken on the basis of adequate assessment, reasonable decision-making processes, and in compliance with the parameters of the Business Judgment Rule, the governing organs cannot be held criminally or civilly liable solely on the grounds that the decisions result in business losses.

In this context, the Business Judgment Rule functions as a balancing mechanism between the State's need to manage SOEs in a professional and investment-driven manner and the principle of legal certainty for corporate decision-makers. On the one hand, the rule encourages decisiveness in making strategic decisions concerning the management of SOE subsidiaries; on the other hand, it ensures that such authority is not exercised arbitrarily or in deviation from the principles of good corporate governance.²⁷

Nevertheless, the intensification of portfolio management and strategic control over SOE subsidiaries following the establishment of Danantara does not automatically shift business decisions into a repressive liability regime. On the contrary, the third amendment to the SOE Law expressly positions investment decisions, restructuring measures, and business rationalization as elements of protected corporate discretion under the Business Judgment Rule, provided that they are based on adequate assessment, reasonable procedures, and compliance with the principles of good faith and prudence.

In addition, the redesigned governance and control framework of SOE subsidiaries following the establishment of

²⁷ Sulistiowati, *Tanggung Jawab Hukum pada Perusahaan Grup di Indonesia* (Jakarta: Erlangga, 2013), 19.

Danantara carries not only juridical implications from the perspective of corporate law, but also institutional dimensions relevant to the sustainable development agenda. Within the framework of the Sustainable Development Goals (SDGs), particularly Goal 16 on the promotion of effective, accountable, and inclusive institutions, centralized control through Danantara may be assessed through operational and measurable indicators of institutional performance.

First, from the perspective of **SDGs Indicator 16.6.1(b) on Government Performance Accountability**, the more structured and integrated management of SOEs under Danantara has the potential to strengthen performance accountability systems. The integration of SOE and subsidiary business plans into the Corporate Work Plan and Budget (RKAP) under Danantara's supervision creates a clearer linkage between strategic planning, capital allocation, and performance targets. Each utilization of separated state assets is directed toward measurable outputs and outcomes, thereby structurally supporting enhanced transparency and accountability in state investment management, as reflected in the strengthening of the Government Agency Performance Accountability System (SAKIP).

Second, in relation to **SDGs Indicator 16.6.1(c) concerning Bureaucratic Reform**, the establishment of Danantara represents a clearer separation between the regulatory and operational functions in SOE governance. The State no longer engages directly in operational business decision-making, but instead positions itself as an investment portfolio manager through a dedicated institution. This transformation promotes a more professional, adaptive, and merit-based bureaucracy, while reducing overlapping

authorities that previously characterized SOE governance structures. Accordingly, the institutional design of Danantara is normatively aligned with the bureaucratic reform agenda emphasizing efficiency, effectiveness, and functional clarity.

Third, from the standpoint of **SDGs Indicator 16.6.2(a) concerning the Level of Public Service Compliance**, the long-term and sustainability-oriented management approach of SOEs under Danantara encourages the implementation of good corporate governance standards and globally recognized management practices. Although SOE subsidiaries operate as business entities, the quality of their governance and corporate performance has direct implications for the provision of strategic public services across various sectors. Strengthened control mechanisms, compliance standards, and integrated supervision have the potential to enhance the level of compliance of SOEs and their subsidiaries with public service standards, thereby contributing to an increased number of institutions achieving good or very good public service compliance ratings.

Conclusion

The establishment of Danantara reflects a paradigmatic shift in the governance of State-Owned Enterprises (SOEs), moving from an administrative authority-based model toward centralized control through investment management and holding mechanisms. This transformation does not alter the legal status of SOE subsidiaries as independent limited liability companies; however, it significantly strengthens the State's structural and functional influence through business planning, capital management, and the approval of strategic

corporate actions. Such a control model is exercised through multilayered corporate mechanisms within the group governance structure of SOEs.

While the reinforcement of centralized control has the potential to enhance the effectiveness and accountability of state asset management, it simultaneously raises challenges with respect to the principles of independence of corporate organs and the doctrine of separate legal entities under corporate law. Accordingly, this study recommends the strengthening of implementing regulations that more explicitly and systematically govern control mechanisms and governance arrangements over SOE subsidiaries. Such regulations are necessary to ensure legal certainty regarding the limits of authority, to prevent excessive operational intervention, and to guarantee the consistent application of good corporate governance principles within the SOE holding structure. In this manner, the institutional transformation brought about by Danantara may proceed in alignment with the objective of strengthening accountable and sustainable institutions as articulated in Goal 16 of Sustainable Development Goals.

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