



The Company's Legal Compliance Is Limited To The Principles Of Good Corporate Governance In Running A Business

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Abstract: This study discusses the legal compliance of Limited Liability Companies (PT) with the principles of Good Corporate Governance (GCG) in the implementation of business activities in Indonesia. One of the important parts of good and sustainable corporate governance is the use of GCG. Law No. 40 of 2007 concerning Limited Liability Companies and Financial Services Authority Regulations are two examples of national laws and regulations that govern the concept of GCG. These include openness, responsibility, accountability, independence, equality, and justice. However, in practice, not all universities are able to implement these principles consistently. This is influenced by various factors, such as weak internal supervision, lack of management commitment, and lack of law enforcement. The consequences of such non-compliance can have serious legal implications, both in the form of civil and criminal liability for management, as well as administrative sanctions from regulators. This study uses a normative juridical approach with a literature study technique to examine the form of legal compliance of universities with GCG and its legal implications. The results of the study show that the consistent implementation of GCG is the main requirement in creating a transparent, accountable, and sustainable business environment. Therefore, it is crucial for Limited Liability Companies to ensure that GCG principles are embedded in every aspect of company management to avoid legal risks and support healthy economic growth.

Keywords: Limited Liability Company, Good Corporate Governance, Legal Compliance, Responsibility, Legal Implications.

INTRODUCTION

In the era of globalization and information disclosure that is increasingly rapid, the business world is faced with increasingly high demands for transparency, accountability, and integrity. This is especially true for legal entities in the form of Limited Liability Companies (PT), which are the most strategic and strategic type of business entities in Indonesia's economic activities. As a legal entity that obtains the status of a separate legal subject from its owner, PT has the legal right and obligation to act independently in carrying out its business activities, as well as being responsible for the effects of each business activity. In this situation, the principle Good Corporate Governance (GCG) is important and necessary because they provide moral and legal guidelines that ensure that the business actions of the PT are not only

focused on making money, but also pay attention to legal aspects, business ethics, and the interests of stakeholders (Stakeholders).

The GCG principle consists of five main pillars, namely:

- a. Transparency
- b. Accountability
- c. Responsibility
- d. Independence
- e. fairness and equality.

These five principles are the minimum standards that should be applied in every corporate management. The Government of Indonesia through various regulations, namely Law No. 40 of 2007 concerning Limited Liability Companies (UUPT) and Financial Services Authority (OJK) Regulations, has regulated the obligation to apply GCG principles, especially businesses that work in the financial sector and those that have been purchased in the stock market. However, the implementation of these principles in practice often faces various challenges and obstacles, both structural, cultural, and technical. These obstacles can arise in the form of unsupportive institutional policies, organizational cultural resistance, and limited human resources and available technology. Therefore, an adaptive and collaborative approach is needed to ensure that these principles can be effectively and sustainably operationalized.

The Limited Liability Company's legal compliance with GCG principles not only reflects compliance with applicable legal norms, but is also an indicator of a healthy and sustainable GCG. In reality, many universities still view GCG as a mere formality obligation, not as a foundation inherent in the company's structure and culture. This can be seen from the rampant business practices that ignore GCG principles, such as strategic decision-making that does not go through transparent mechanisms, the power of majority owners without sufficient security for minority shareholders, and the inability of the Board of Commissioners to carry out its supervisory duties, to the abuse of power by the board of directors in the management of the company's assets.

This condition becomes even more worrying when cases of law violations by universities begin to be revealed to the public, either through media reports, audit findings, and investigations by law enforcement officials. Cases such as manipulation of financial statements, undeclared conflicts of interest, collusion with external parties, and embezzlement of company funds are a reflection of the failure to implement GCG effectively. On the other hand, violations of GCG principles are not taken seriously by the police and also make people less aware of the rules and less likely to follow them. Laws that are supposed to be the driving instruments for the creation of good corporate governance are often seen as weak, inconsistent, or easy to negotiate through a transactional approach.

The fact that businesses in Indonesia do not always follow GCG best practices, which include fairness, openness, responsibility, and accountability, makes them more subject to economic pressure. These four principles should be carried out in an integrated manner to create maximum company management. Company management that works well and efficiently is very important because it affects many things, such as the amount of profit achieved, the level of risk of loss faced, the continuity of the production process, and the sustainability of the business in general.

To achieve efficiency in business activities, companies need to fulfill a number of important things, including applying the fundamental principles of GCG. The basic values in GCG include openness, responsibility, accountability, independence, and the principles of equality and justice. Therefore, every company should ensure that this principle is applied consistently across all operational lines and in every decision-making process. A comprehensive implementation will encourage the creation of alignment between corporate

values and concrete actions on the ground, so that corporate goals can be realized more effectively, measurably, and sustainably.

In the midst of these various dynamics, it is important to highlight that legal compliance with GCG principles is not only a normative burden that limits corporate movements, but rather a strategic value in building public trust, strengthening competitiveness, and ensuring business sustainability in the long term. By consistently applying GCG principles, PT can create a management system that is oriented towards efficiency, risk mitigation, and safety for all parties, inside and outside the company. In this context, the law serves as a normative framework that affirms the limits of corporate behavior as well as provides a sanctioning mechanism for violations, thus creating a balance between the freedom of enterprise and corporate social responsibility.

The substantive application of GCG principles requires more than just the existence of regulations. Legal compliance must be built from the internal awareness of the corporation regarding the importance of business ethics and social responsibility. This requires a commitment from the company's organs, especially the board of directors and board of commissioners, to internalize GCG values in every policy and strategic decision. In addition, the role of shareholders, employees, independent auditors, and the wider community is also important in encouraging the realization of healthy governance. Without synergy between these actors, GCG principles have the potential to become empty slogans that have no real impact on daily business practices.

In the academic realm, the issue of legal compliance with GCG principles is an interesting issue to study, both from the perspective of corporate law, economic law, and administrative law. The study of this aspect not only provides an understanding of the relationship between regulation and corporate practices, but also opens up a space for evaluation of the effectiveness of the national legal system in encouraging more responsible business behavior change. In addition, this study is also important to formulate policy recommendations that are more progressive and adaptive to the challenges of the times, such as digitalization, environmental sustainability, and social inclusion in the business world.

Based on this background, it can be concluded that the issue of legal compliance of universities with GCG principles is an issue that has complex legal, ethical, economic, and social dimensions. The urgency to strengthen a culture of compliance and accountability in the corporate body is very important amid increasing public expectations for business practices with integrity. Therefore, it is necessary to study in detail and comprehensively to examine the extent to which existing regulations are able to encourage corporate compliance, as well as how strategies can be taken to improve the implementation of GCG principles in a real and sustainable manner in the business world in Indonesia.

METHOD

Types of Research

In order to get answers to the problems discussed in this research, normative legal research methods are used by the Law and conceptual approaches. Normative legal research is a type of research that examines legal rules, legal principles, and legal doctrines that are relevant to the object of discussion.

Research Approach

The approaches used in this study are:

- a. Statute Approach: This approach is carried out by examining relevant laws and regulations, related to the application of GCG principles in the company's business activities.
- b. Conceptual Approach: This approach is used to analyze concepts that develop in practice and doctrine, such as the idea of legal compliance, GCG principles, and the role of law in maintaining corporate integrity and accountability.

Data Source

The data sources used in this study consisted of:

- a. Primary legal materials, legal regulations include the PT Law, OJK Regulations on GCG, and other official documents with binding legal force.
- b. Secondary legal materials, namely legal literature, include books, scientific journals, previous research findings, academic articles, and doctrines of relevant legal experts.

Legal Material Collection Techniques

The collection of legal materials is carried out by literature study (Library Research), namely by tracing relevant legal sources from libraries, academic repositories, electronic journals, and official websites of state institutions that publish regulations and policies related to GCG and Limited Liability Companies.

Legal Materials Analysis Techniques

The analysis is carried out qualitatively, namely by interpreting and reviewing the legal material that has been collected to be arranged systematically to answer the formulation of the problem. This study does not use statistical data, but analyzes the content of normative provisions based on legal logic and scientific argumentation.

RESULTS AND DISCUSSION

The Company's Form of Legal Compliance is Limited to the Principles of Good Corporate Governance (GCG) in the Implementation of Business Activities in Indonesia

In the modern economic system, the existence of business entities in the form of Limited Liability Companies (PT) plays a strategic role in encouraging national economic growth. As a legal entity that has an independent position, in order to do business, a PT must follow rules that are not only good for making money but also for good corporate governance and following the law. The GCG principle is what ensures that all business activities of a PT are in line with the ideas of openness, responsibility, accountability, freedom, and justice and equality.¹

There is no choice for universities but to follow the GCG approach. It is required by many rules in Indonesia. Law No. 40 of 2007 concerning Limited Liability Companies (UUPT) is the main document that regulates how the company is run, which provides a legal framework regarding the organizational structure of the company, the division of authority between the company's organs, and supervision of the company's management. In the provisions of this law, it is explained that PT has the main organs consisting of the General Meeting of Shareholders (GMS), the Board of Directors, and the Board of Commissioners. The three organs have different legal functions and responsibilities but complement each other in creating good governance.²

The form of PT's compliance with the principle of transparency is reflected in the company's obligation to submit its annual report to the GMS as stipulated in Article 66 of the Constitution. An independent public accountant must audit financial statements in annual reports. There should also be a report on business operations and how corporate social responsibility (CSR) is being carried out. The disclosure of information provided to shareholders is the main indicator of the implementation of transparency in GCG practices.

As the company makes decisions, the directors, who run the business, and the board of commissioners, who oversee things, clearly define roles and duties. This shows that the concept of accountability is being followed. While the UUPT clarifies that directors are in charge of running the business, the Board of Commissioners is in charge of overseeing matters and

¹ Ghina Kemala Dewi, and Ashar Basyir. (2023). The Effect of the Implementation of Good Corporate Governance on Financial Performance. *Journal of Sharia Accounting and Finance - ALLIANCE* 6 (2): 107–16, p. 6

² Ibid

providing advice to the directors. Thus, the principle of accountability is carried out through a *checks and balances* which is regulated by law to avoid abuse of authority.³

Compliance with the principle of legal responsibility is also manifested in the company's obligation to comply with legal provisions and business ethics. In this context, article 74 of the law says that PTs are responsible not only to their owners but also to society and the earth. This means that companies must carry out CSR activities. This social responsibility is not only moral, but has become a legal obligation that can be sanctioned if it is not carried out properly.⁴

The principle of independence in the practice of universities concerns objective decision-making and free from conflicts of interest. In practice, this principle is demonstrated by the separation of ownership and management functions. The Law indirectly provides space for the application of this principle of independence through provisions on the prohibition of dual positions and the regulation of conflicts of interest, where any decision of the Board of Directors that has the potential to cause a conflict must be disclosed and approved by the relevant corporate organ. The Financial Services Authority (OJK), through regulations such as OJK Regulation No. 21/POJK.04/2015 concerning the Implementation of Good Corporate Governance for Issuers or Public Companies, also emphasizes the importance of this principle in preventing the dominance of certain interests in company management.⁵

The principle of equality and fairness is interpreted as a necessity for a PT to treat all stakeholders fairly, such as workers, debtors, business partners, and minority shareholders. This includes the right to information, legal protection, and equal opportunities in decision-making participation in the GMS. Follow-up to this concept can be seen in the way called GMS and in the owner's right to submit the suggested meeting agenda, as well as the provision of adequate information so that shareholders can make wise decisions.⁶

Although normatively the legal basis for the implementation of GCG is quite complete, the reality on the ground shows that the level of compliance of universities with these principles still varies. Some large companies, especially those that have been listed on the stock exchange, tend to have a higher level of compliance due to the supervision of capital market authorities and investor demands. However, for companies that have not yet opened, GCG compliance is often still considered a mere administrative burden and has not been internalized as part of the company culture. Therefore, in addition to strengthening regulations, continuous education and coaching are also needed so that GCG principles are truly implemented not only in the form of policy documents, but also in daily practice.

The application of GCG principles is not solely carried out for ethical reasons, but has become a legal obligation listed in various legal regulations in Indonesia. However, in its implementation, there are various factors that greatly affect the level of compliance of universities with these principles, including:⁷

- a. One of the main factors that affect the level of compliance is the level of legal understanding and awareness of stakeholders within the company. In many cases, weak compliance with GCG principles is due to the low knowledge of directors, commissioners, and shareholders about the importance of GCG in maintaining business continuity and minimizing legal risks.
- b. The structure and culture of the company's organization also play an important role in determining the extent to which GCG principles are applied. A company culture that

³ Nima, I. M., Assmaningrum, N., Jody, E. S., Nurhandayani, A., & Atriani, D. (2024). Responsibilities of the Board of Directors in Limited Liability Companies: Implementation of Good Corporate Governance (GCG) Principles. *Indonesian Journal of Law and Justice*, 1(4), 9-9, p. 2

⁴ Ibid., p. 3

⁵ Ibid., p. 3

⁶ Jafar, S. Application of the Principle of Good Corporate Governance in Limited Liability Companies. *Journal of Law Reusam*., p. 8

⁷ Budiartini, D. A., Rudy, D. G., & Purwanti, N. P. (2012). Violation of Good Corporate Governance Principles in the Capital Market (Case Study of PT Bank Lippo Tbk). *Journal of Kertha Speech*, 1(1), 8-9, p. 8

- emphasizes openness, integrity, and social responsibility will encourage higher compliance practices.
- c. Legal compliance is also heavily influenced by the existence of effective oversight mechanisms from regulators and authorized authorities. In this case, the OJK, which is in charge of supervising the financial sector, has issued a number of regulations that encourage issuers and public companies to use GCG. One of these rules is OJK regulation No.21/pojk.04/2015, which is about the implementation of good corporate governance
 - d. Incentives and sanctions are regulated in the national legal system. Companies tend to be more compliant with GCG principles if there is a reward mechanism for compliant companies and strict sanctions for violations.

Thus, it is concluded that the form of PT's compliance with GCG is reflected in the implementation of applicable laws, especially the PT Law. GCG principles are not only an indicator of good business ethics, but also a legal obligation whose implementation determines the legality and credibility of the company in carrying out its business activities. This legal compliance is not only for the internal interests of the company, but also to guarantee the stability of the national economic system.

Legal Implications for Limited Liability Companies That Do Not Implement GCG Principles in Their Business Activities

The law in Indonesia says that PTs, which are formal bodies that run businesses to make money, must follow certain rules. The GCG is one of the main rules that must be followed by a PT to carry out its business responsibilities. GCG is not only an ethical guideline in the management of the company, but has become an integral part of the legal system that regulates responsibility, transparency, accountability, and protection of the rights of stakeholders. When a PT does not adequately apply these principles in its business activities, it can have various serious legal implications both civil, criminal, and administrative.

In general, laws and rules have been made that reflect the values of GCG, which are openness, responsibility, accountability, independence, and equality and justice. Law No. 40 of 2007 concerning PT is the main law that says how the parts of the company are regulated, who has power over them, and what their duties are. These rules make it very clear what the Board of Directors and Board of Commissioners are tasked with, and they must do their jobs honestly and with full responsibility. If they do not follow GCG rules, they can be held personally responsible for the losses caused by PT. Article 97 Paragraph (3) of the UUPT makes it clear that the members of the Board of Directors are personally and jointly responsible for the loss of the company if that person is guilty or negligent in the performance of their work. This rule is an important legal basis that provides direct consequences to violators of corporate governance principles.

In practice, the non-application of the principle of transparency can cause legal uncertainty, especially in terms of inaccurate financial reporting, closed public information, and unsupervised management of companies. The failure of the Board of Directors to submit its annual report to the GMS as required by Article 66 of the Constitution can cause losses for shareholders, especially small shareholders who rely heavily on reports to decide how to spend their money. This lack of disclosure can also lead to alleged criminal acts of corruption, manipulation of financial data, and violations of capital market regulations that lead to criminal or civil sanctions.

The legal implications that also arise due to the violation of the principle of accountability are the potential for lawsuits from shareholders or third parties against the management of PT. When an unaccountable managerial decision causes financial losses for the company, the shareholders have the right to demand legal liability from the management in accordance with the principle of fiduciary duty. In the Indonesian legal system, the legal responsibilities of the

Board of Directors and Commissioners have been explained through Article 114 of the Constitution which emphasizes that the Commissioner can be held accountable if it is proven to be negligent in supervising the Board of Directors. Thus, violations of the principle of accountability can have implications for personal accountability for management, both through civil lawsuits and other sanctions.

If the principle of responsibility is not followed, it also leads to administrative penalties. This is especially true when it comes to applying *Corporate Social Responsibility* (CSR), which according to Article 74 of the law must occur. If the PT does not follow up on their CSR duties, the government can punish them by taking away their business licenses or giving them small fines. More so, failure to carry out social responsibility also has the potential to damage a company's reputation in the eyes of the public and can lead to withdrawal of investment or boycott from consumers.

Meanwhile, disregard for the principle of independence can lead to conflicts of interest that lead to actions that are detrimental to the company, such as abuse of authority, the use of internal information for personal gain, or unobjective business decisions. When this conflict of interest proves to cause harm, the company and other stakeholders have the right to file a lawsuit. In this context, the provision regarding personal legal responsibility is again the main basis for demanding management liability. Especially if the conflict of interest is carried out in the context of conspiracy or collusion with external parties, then the act can also be subject to criminal sanctions as in the Criminal Code and other regulations such as the Corruption Law.

This law also has an important effect on the capital market area. If the PT, which is now a public company, does not follow the principles of GCG, it can violate the rules of the Financial Services Authority (OJK), especially OJK Regulation No.21/POJK.04/2015, which states that the company must use good corporate governance. Non-compliance with these regulations can lead to administrative sanctions by the OJK, including fines, stopping business operations, and even losing the company's license. The OJK also has the authority to order the management or controlling shareholders to improve governance practices that are deemed to be contrary to the regulations.

Non-compliance with GCG also has indirect legal consequences, such as disruption of business continuity due to loss of investor confidence, a decline in stock value, and internal crises that lead to bankruptcy. Modern corporate law recognizes that the legal and moral image of a business is just as important as its financial success when it comes to its ability to stay in business. Therefore, compliance with GCG principles is also part of efforts to mitigate legal and economic risks that have the potential to threaten the company's existence.

By paying attention to various legal provisions and their consequences, it can be concluded that the legal implications for PTs that do not implement GCG principles include civil liability from the Board of Directors and Commissioners, potential administrative sanctions from supervisory authorities, possible criminal prosecutions for unlawful acts, and reputational losses that can reduce the economic value of the company. Therefore, the application of GCG principles must be seen as a strategic legal obligation, not just as a moral or ethical standard of business. In order to create a good environment for business, society, the business world, and the state must work together to ensure that GCG is used in all types of businesses, especially those established as limited liability companies.

CONCLUSION

The application of the principles of Good Corporate Governance (GCG) to Limited Liability Companies in Indonesia is a legal imperative that not only ensures business sustainability, but also shows that businesses have the duty to maintain public trust, investor trust, and other partners' trust. Transparency, accountability, responsibility, independence, equality, and justice are some of the GCG principles that have been incorporated into different

national regulations. This is especially true for Law No.40 of 2007 concerning limited liability companies and implementing regulations such as the Financial Services Authority Regulation (POJK).

GCG compliance is highly dependent on the legal awareness of the company's management, the quality of the internal supervisory system, the role of regulators, and the encouragement of external stakeholders. When these principles are not properly implemented, the Limited Liability Company will face significant legal implications, both civil, criminal, and administrative. Violations of GCG principles can cause administrators to be held personally liable for company losses, be subject to administrative sanctions by supervisory authorities, or even face legal action from third parties.

Thus, the application of GCG principles is not solely an ethical choice, but has become a strategic legal obligation. A healthy, open, and responsible business can only survive as long as its employees follow these rules. Therefore, it is important for every Limited Liability Company to continue to strengthen its internal governance, build a law-abiding corporate culture, and actively fulfill its legal responsibilities in every business activity.

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