



# The Dynamics of State-Owned Enterprises, Corporate Law, and the Challenges of Natural Resource Management in Indonesia: A Literature Review

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## Abstrak

Indonesia is continually striving to achieve sustainable development that balances economic growth, environmental preservation, and societal well-being. Law plays a crucial role in harmonizing diverse interests, including those related to corporate regulation and natural resource management. This study analyzes the dynamics of corporate law and natural resource governance in Indonesia through a qualitative literature review. The findings reveal a range of challenges, such as the optimization of state-owned enterprise (SOE) governance, the implementation of Good Corporate Governance (GCG) in limited liability companies, as well as legal protection and enforcement concerning natural resources. This study recommends the need for comprehensive and sustainable legal reforms to achieve equilibrium between economic development, public welfare, and environmental sustainability. **Keywords:** corporate law, SOEs, natural resources.

## INTRODUCTION

Indonesia, endowed with abundant natural resources, continues to strive for progress across various sectors. Sustainable economic growth is a primary focus, complemented by the need to preserve the environment and ensure the welfare of society in line with the concept of a green economy, thereby achieving sustainable economic development that aligns with environmental conservation. Consequently, the economy can continue to advance while ensuring the well-being of all living beings on Earth (Djihadul Mubarak, 2023). Within this context, law plays a central role as the foundation for fair and sustainable national development (Zaini, 2012). Law not only governs relationships between individuals but also harmonizes diverse interests, including those of the state, society, and environmental preservation (Sembiring et al., 2022).

State-Owned Enterprises (SOEs) occupy a strategic position as one of the pillars of the national economy, driving economic growth and development (Juang Rambe et al., 2022). However, SOEs face their own challenges, such as the need to improve efficiency, innovation, and good governance practices (BUMN-R, 2023). Similarly, limited liability companies (PTs), which dominate the Indonesian business landscape, must continuously enhance corporate governance quality, including the implementation of Good Corporate Governance (GCG) principles (Aspan, 2017). Meanwhile, prudent natural resource management is critical to ensuring resource availability for future generations and preventing environmental degradation.

The complexity of legal issues in Indonesia demands in-depth and comprehensive studies. This research aims to analyze the dynamics of corporate law and natural resource management in Indonesia through a literature review. The focus includes issues related to the status and management of SOEs, the implementation of GCG, as well as legal protection and enforcement in the management of natural resources. By understanding the existing legal dynamics and challenges, it is hoped that appropriate policy recommendations can be formulated to achieve sustainable national development.

## METHOD

The methodology employed in this study is a literature review with a qualitative approach. This research emphasizes a deep understanding of the dynamics of corporate law and natural resource management in Indonesia, as viewed through perspectives found in existing literature. The process begins by identifying relevant keywords, such as "corporate law," "SOEs," "natural resources," "Good Corporate Governance," "environmental protection," and "law enforcement," derived from journal articles or proceedings by law faculty members at Universitas Pembangunan Panca Budi. Subsequently, a literature search is conducted across various sources, including scholarly journals, books, legislation, and research reports related to these keywords. Reference sources include Google Scholar, the Higher Education Database, and Mendeley reference tools.

Following the search, the relevant and credible literature is selected based on established criteria, such as year of publication, the reputation of journals or publishers, and relevance to the research topic. Key information from the

selected literature—such as findings, arguments, and conclusions—is then extracted. The final stage involves synthesizing and analyzing the extracted information to identify patterns, trends, and debates within the literature, as well as to address the research questions. The results of the literature review are presented systematically and comprehensively in the form of narratives, tables, or diagrams. The qualitative approach is employed to analyze data descriptively, focusing on interpreting and deriving meaning from the information obtained from the literature.

## RESULTS AND DISCUSSION

### Results

The dynamics of corporate law in Indonesia, particularly those related to State-Owned Enterprises (SOEs) and natural resource management, give rise to various challenges and significant issues. Several recent studies have examined these matters and produced critical findings, summarized in the following table. Highlighted issues include the status and management of SOEs, the implementation of Good Corporate Governance (GCG), as well as legal protection and enforcement concerning natural resources.

**Table. Several Studies on Corporate Law, SOEs, and Natural Resources by Faculty Members in the Legal Studies Group at Universitas Pembangunan Panca Budi**

Researcher & Title of Study	Institution/Journal	Research Findings
Dira Dinda Alti et al. (2022), <i>The Position of Village Owned Enterprises (BUMDes) Which Are Incorporated According to Law No. 11 of 2020 Copyright Work.</i>	Konfrontasi Journal	BUMDes possess legal status equivalent to Limited Liability Companies (PT), strengthening their economic position, providing legal certainty, and facilitating access to capital and cooperation.
Agus Adhari (2015), <i>Eksistensi BUMN sebagai Korporasi yang Dikuasai Negara</i>	Jurnal Hukum Bisnis dan Investasi	The existence of SOEs as corporations is questioned because their financial management resembles that of government agencies due to strict state control, thereby hindering innovation.
Henry Aspan (2017), <i>GOOD CORPORATE GOVERNANCE PRINCIPLES IN THE MANAGEMENT OF LIMITED LIABILITY COMPANY</i>	International Journal of Law Reconstruction	Law No. 40/2007 on Limited Liability Companies (PT) does not explicitly regulate GCG implementation, hence it is not binding on all PTs.
Rambe et al. (2024), <i>The position of state-owned enterprises: Towards a health sector super holding company paradigm</i>	Proceedings of the International Conference on Healthy Living (INCOHELIV)	The establishment of an SOE holding company in the health sector is legally feasible, enhancing efficiency and service quality, although the financial status of state funds in subsidiary companies needs clarification.
Rambe (2022), <i>Legal Issues of State Financial Status in State-Owned Enterprises of the Holding Company Indonesian Mining Industry (MIND ID)</i>	International Journal of Economic, Technology and Social Sciences	A dualism of state financial status exists within the MIND ID SOE holding due to regulatory conflicts.
Juang Rambe et al. (2022), <i>The Position of Subsidiaries State-Owned Enterprises in the Mining Industry Sector in Indonesia's State-Owned Perspective (Study of Subsidiaries in the Structure of a SOES Holding Company in the Mining Sector PT. Indonesia Asahan Aluminum Persero)</i>	International Journal of Research and Review	The subsidiaries within an SOE mining holding remain classified as SOEs, and state control can be maintained through the ownership of Series A shares.
Aspan et al. (2022), <i>Inconsistency Between the Function and Position of the Board of Directors Under the Limited Liability Company Law and the Function and Position of the Board of Directors in Charge of Compliance Under the Circular Letter of the Financial Services Authority for Rural Banks in Indonesia</i>	International Journal of Research and Review	There is an inconsistency between the Board of Directors' function as stipulated in the Limited Liability Company Law (UU PT) and their function under OJK regulations concerning compliance.
Aspan (2020), <i>The Political History of Land Law in Indonesia</i>	International Journal of Advance Research and Innovative Ideas in Education (IJARIIE)	Discusses the political history of land law in Indonesia from the colonial era through the reform period.
Tj et al. (2022), <i>PROBLEMATIKA KEWENANGAN PENYELESAIAN SENGKETA PERTANAHAN BERUPA SERTIFIKAT HAK MILIK (SHM) ATAS TANAH (STUDI DI PENGADILAN TATA USAHA NEGARA MEDAN)</i>	CERMIN: Jurnal Penelitian	The resolution of land disputes involving Certificates of Ownership (SHM) falls under the joint authority of the Administrative Court (Peradilan Tata Usaha Negara) and the General Courts, depending on the substance of the dispute and the certificate's origin.
Henry Aspan (2024), <i>Meningkatkan Peran Masyarakat Dalam Perlindungan Lingkungan</i>	Jurnal Pengabdian Masyarakat Multi Disiplin Ilmu	Community-based programs effectively increase public awareness in environmental protection, supporting sustainable natural resource management.
Sembiring et al. (2022), <i>The Challenge of Customary Law Implementation in the Optimistic Law era in Saving Healthy Indonesian Environment</i>	International Research Journal of Management, IT & Social Sciences	The dominance of state-positive law limits the role of customary law in environmental protection and natural resource management.
Zarzani & Fahriza (2024), <i>Dimensions Of Corporate Crime</i>	International Journal of Law, Crime and Justice	Corporate crime undermines moral standards in environmental management.
Ismaidar Ismaidar et al. (2024), <i>Application Of Criminal Sanctions Against Corporations As Subjects Law On Burning Forest Which Cause Damage Environment</i>	International Journal of Law and Society	Companies that cause environmental damage (e.g., through forest burning) can be subject to criminal liability.
Zarzani (2024), <i>Corporate Criminal Liability Against</i>	International Journal of	Emphasizes the importance of criminal sanctions for

<i>Pollution Environment Life</i>	Social Welfare and Family Law	corporate environmental polluters, especially repeat offenders, to create a deterrent effect and preserve natural resources for future generations.
Sembiring et al. (2016), <i>Penegakan Hukum Terhadap Pelaku Pidana yang Melakukan Pencemaran Lingkungan</i> .	Journal of Mandalika Social Science	Legal actions against waste dumpers do not align with statutory requirements, necessitating reforms in environmental law enforcement for improved effectiveness.

Source: compiled from Google Scholar, Pangkalan Data Pendidikan Tinggi, and Mendeley tools references.

These findings highlight the complexity of legal issues in Indonesia, ranging from the status of business entities to environmental law enforcement. The change in the legal status of *BUMDes* into legal entities (Dira Dinda Alti et al., 2022) demonstrates the government's efforts to enhance village autonomy, yet the question of SOEs' existence as corporations (Adhari, 2015) reveals the dilemma between state control and business flexibility. Meanwhile, Aspan's (Aspan, 2017) research indicates the need for more explicit GCG regulations for Limited Liability Companies, and the studies by Rambe et al. (Rambe et al., 2024) and Rambe (Juang Rambe et al., 2022) uncover the challenges in forming SOE holding companies, particularly in the health and mining sectors. On the other hand, studies on land and environmental law reveal the complexities on the ground, including land disputes (Tj et al., 2022), community involvement (Aspan, 2024), challenges to customary law (Sembiring et al., 2022), corporate crime (Ismaidar Ismaidar et al., 2024; Zarzani et al., 2024), and suboptimal law enforcement (Sembiring et al., 2016; Zarzani, 2024).

## Discussion

Law in Indonesia continues to evolve and adapt to the socio-economic dynamics of society, encompassing various aspects ranging from the regulation of business entities, the management of natural resources, to environmental protection. Numerous legal studies have highlighted the challenges and complexities in implementing these regulations, necessitating ongoing evaluation and adjustments. The following discussion will elaborate further on Indonesia's legal dynamics as reflected in two main issues, namely developments and challenges in business entity management, as well as the complexities of laws governing natural resource management and environmental protection.

### 1. Developments and Challenges in the Management of Business Entities in Indonesia

The enactment of Law No. 11 of 2020 on Job Creation has significantly altered the status of Village-Owned Enterprises (*Badan Usaha Milik Desa/BUMDes*). Research by Dira Dinda Alti et al. (Dira Dinda Alti et al., 2022) in *Konfrontasi Journal* indicates that *BUMDes* now hold legal status equivalent to Limited Liability Companies (PT). This change is expected to strengthen *BUMDes*' position in economic activities, provide legal certainty, and facilitate access to capital and collaboration. However, although granted the legal status of a PT, *BUMDes* retain unique characteristics. Their primary objective is to improve the welfare of rural communities rather than merely seeking profit. Consequently, *BUMDes* management must adhere to principles of good governance, transparency, accountability, and compliance with prevailing laws and regulations. While *BUMDes* focus on community welfare with managerial flexibility, State-Owned Enterprises (*Badan Usaha Milik Negara/BUMN*) face a different scenario, where stringent government control hampers corporate innovation and independence.

A study by Agus Adhari (Adhari, 2015) in *Jurnal Hukum Bisnis dan Investasi* questions the very existence of SOEs as corporations. Although SOEs are established as private legal entities, their financial management resembles that of government agencies due to tight state control. This condition hinders the free growth of SOEs. Accordingly, a more flexible management framework is needed, allowing SOEs to innovate and compete without disregarding the interests of the state and society. Excessively stringent control often impedes business growth. This situation illustrates that corporate governance challenges are not limited to SOEs alone; Limited Liability Companies (PTs) also encounter difficulties in implementing Good Corporate Governance (GCG). Research by Henry Aspan (Aspan, 2017) in the *International Journal of Law Reconstruction* shows that Law No. 40/2007 on PT does not explicitly stipulate GCG implementation, rendering GCG unenforceable against all PTs. This problem indicates that efforts to optimize corporate governance still require adjustments, particularly as the formation of SOE holdings introduces further legal issues concerning state financial status and the legal relationships between parent and subsidiary companies.

Research by Rambe et al. (Rambe et al., 2024) in *INCOHELIV* demonstrates that establishing an SOE holding company in the health sector is legally feasible and can enhance efficiency and service quality, although legal challenges related to state financial status in subsidiary companies need clarification. Rambe (Rambe, 2022) in the *International Journal of Economic, Technology and Social Sciences* reveals a dualism of state financial status in the MIND ID SOE holding company caused by regulatory conflicts. Nevertheless, as explained by Juang Rambe et al. (Rambe et al., n.d.), the state can still maintain control through Series A share ownership in SOE subsidiaries. Additionally, Aspan et al. (Aspan et al., 2022) in the *International Journal of Research and Review* highlight the inconsistency between the Board of Directors' functions as mandated by the Limited Liability Company Law and the functions expected under Financial Services Authority (OJK) regulations, while Aspan (Aspan, 2020) in *IJARIE* discusses the political history of land law in Indonesia from the colonial era through the reform period. Altogether, these dynamics present a complex panorama that demands continuous adjustments in regulating and managing business entities in Indonesia.

## 2. The Complexity of Laws Governing Natural Resource Management as well as Environmental Protection and Enforcement

Beyond issues of corporate governance, other legal matters—such as land disputes, natural resource management, and environmental protection—also warrant careful attention. Research by Tj et al. (Tj et al., 2022) in *Jurnal CERMIN* asserts that the resolution of land disputes falls under the joint jurisdiction of the Administrative Court and the General Courts, with authority determined by the substance of the dispute, the origin of the certificate, and the legal actions that gave rise to it. In terms of natural resources, improper management can lead to environmental degradation, land ownership conflicts, and ecosystem damage that is difficult to restore. This indicates that land law cannot be separated from efforts to preserve natural resources, where a holistic approach that takes into account social, economic, and environmental factors is crucial.

In this context, research by Henry Aspan (Aspan, 2024) in *Jurnal Pengabdian Masyarakat Multi Disiplin Ilmu* finds that community-based programs effectively increase public awareness of environmental protection, thereby supporting sustainable natural resource management. However, the implementation of customary law in environmental and natural resource protection remains impeded. Sembiring et al. (Sembiring et al., 2022) in the *International Research Journal of Management, IT & Social Sciences* note that the dominance of state-positive law often limits the role of customary law. Yet, customary law holds the potential as a local regulatory source aligned with indigenous wisdom in sustainably managing natural resources.

Furthermore, corporate crimes affecting the environment and natural resources, such as forest burning or excessive exploitation, demand a firm response. Zarzani & Fahriza (Zarzani & Fahriza, 2024) in the *International Journal of Law, Crime and Justice* highlight the moral dimensions undermined by corporate crime, while Ismaidar et al. (Ismaidar Ismaidar et al., 2024) in the *International Journal of Law and Society* demonstrate that corporations causing environmental harm can be held criminally liable. Zarzani (Zarzani, 2024) in the *International Journal of Social Welfare and Family Law* emphasizes the importance of criminal sanctions for corporate environmental polluters, especially repeat offenders, to deter further offenses and ensure the preservation of natural resources for future generations.

Unfortunately, law enforcement against environmental offenders and those who irresponsibly manage natural resources in Indonesia remains weak. Sembiring et al. (Sembiring et al., 2016) in the *Journal of Mandalika Social Science* state that enforcement actions against waste disposal perpetrators fail to comply with statutory provisions, illustrating the need for reforms in environmental law enforcement, whether in land matters, resource management, or overall environmental protection. Consequently, national legal reforms must consider the interrelationship between land law, natural resource regulations, environmental protection, and their enforcement. Only through a comprehensive and sustainable approach can economic development, societal welfare, and environmental preservation be achieved in a balanced manner.

This discussion depicts the evolving nature of Indonesian law in confronting the challenges and complexities of regulatory implementation. First, in terms of business entity management, the change in *BUMDes*' legal status demonstrates an effort to enhance village autonomy, although appropriate regulations are needed to ensure that *BUMDes* remain focused on community welfare. On the other hand, SOEs face difficulties in balancing state control and business flexibility, while PTs still require encouragement to optimally implement GCG. Second, in the context of natural resource management and environmental protection, a holistic approach integrating land law, community empowerment, local wisdom, and strict enforcement against corporate crimes and environmental violations is essential. This all underscores the need for comprehensive and sustainable legal reforms aimed at achieving a balance between economic development, social welfare, and environmental sustainability.

## CONCLUSION

Indonesia's legal dynamics demonstrate complexities in the management of business entities and natural resources. *BUMDes* have undergone changes to their legal status, while SOEs and PTs still face governance challenges and the need for effective GCG implementation. Environmental protection and enforcement must also be improved, particularly in addressing corporate crimes and enhancing community involvement. Hence, comprehensive and sustainable legal reforms are needed to achieve a balance between economic development, public welfare, and environmental preservation. A holistic approach that integrates various legal aspects and involves all stakeholders is key to realizing sustainable national development.

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