Samudra Justicia Law Journal
Volume 1, Number 1, (December, 2025)

The Role of Criminal Law in Enforcing Good Corporate Governance as an Instrument for Strengthening Business Integrity in Indonesia

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ABSTRACT: The implementation of Good Corporate Governance (GCG) constitutes a fundamental element in establishing a corporate governance system that is transparent, accountable, and grounded in integrity. Nevertheless, in practice, many corporations in Indonesia continue to encounter significant challenges in consistently applying GCG principles. The increasing prevalence of corporate legal violations such as corruption, money laundering, and financial fraud reflects weak compliance culture as well as ineffective internal and external oversight mechanisms. This condition underscores the necessity of criminal law as an instrument of control and enforcement to ensure corporate compliance and ethical business conduct. This study aims to analyze the role of criminal law in enforcing Good Corporate Governance principles and to identify the factors influencing its effectiveness in Indonesia. The research employs a normative juridical method using statutory and conceptual approaches. The data are derived from primary legal materials, including legislation and court decisions, as well as secondary legal materials in the form of books, academic journals, and relevant legal literature. Data analysis is conducted through a qualitative-descriptive approach to interpret the relationship between legal norms and the practical implementation of GCG within corporate business practices. The findings indicate that criminal law plays a strategic role in strengthening the enforcement of Good Corporate Governance through both preventive and repressive functions. However, its effectiveness remains limited due to weak application of corporate criminal liability, inadequate institutional capacity among law enforcement agencies, and the absence of a strong compliance culture within corporations. Therefore, regulatory reform, enhancement of law enforcement capacity, and synergy between criminal law policy and corporate governance mechanisms are essential. Through these efforts, criminal law is expected to function not merely as a punitive instrument but also as a mechanism for fostering integrity, transparency, and accountability within Indonesia's corporate sector.

KEYWORDS: Criminal Law; Good Corporate Governance; Corporate Criminal Liability; Compliance; Business Integrity.

I. INTRODUCTION

The rapid development of the modern business environment is characterized by increasing complexity in corporate activities, intense global competition, and heightened public demands for transparency and accountability. In this context, corporations are no longer assessed solely based on their ability to generate profit, but also on their commitment to ethical conduct, legal compliance, and social responsibility. The growing

influence of corporations within national and global economies has positioned them as key actors whose actions may produce significant economic, social, and legal consequences.(Banerjee, 2010) Consequently, the need for a robust governance framework that ensures responsible and lawful corporate behavior has become increasingly urgent. Good Corporate Governance (GCG) emerges as a fundamental mechanism to address these challenges by promoting integrity, transparency, accountability, responsibility, independence, and fairness in corporate management.

In Indonesia, the importance of Good Corporate Governance gained significant attention following the Asian financial crisis of 1998, which exposed widespread weaknesses in corporate governance practices, including poor transparency, excessive concentration of power, conflicts of interest, and weak internal controls.(Verhezen & Abeng, 2022) These deficiencies not only contributed to corporate failures but also undermined public trust in the business sector and the national economic system. In response, the Indonesian government introduced various regulatory reforms and institutional frameworks aimed at strengthening corporate governance, including the enactment of laws, the establishment of supervisory authorities, and the issuance of governance guidelines by institutions such as the Financial Services Authority *(Otoritas Jasa Keuangan/OJK)* and the National Committee on Governance Policy *(Komite Nasional Kebijakan Governance/KNKG).* Despite these efforts, the practical implementation of GCG across Indonesian corporations remains inconsistent and, in many cases, superficial.

The persistence of corporate misconduct in Indonesia manifested in cases of corruption, money laundering, financial statement manipulation, tax evasion, and other forms of corporate fraud demonstrates that the formal adoption of GCG principles has not necessarily translated into substantive compliance. These violations indicate structural weaknesses in corporate governance systems, including ineffective internal oversight, lack of independence within corporate organs, and the absence of a strong compliance culture. Furthermore, many corporations continue to perceive GCG merely as an administrative or regulatory obligation rather than as a strategic and ethical foundation for sustainable business operations. As a result, governance mechanisms often fail to prevent unlawful practices that harm stakeholders, the state, and the public at large.

In this regard, the role of law particularly criminal law becomes critically important. While corporate governance frameworks primarily rely on internal mechanisms, self-regulation, and administrative oversight, such approaches may prove insufficient when corporations engage in serious violations that undermine public interests. Criminal law functions as a powerful instrument

of social control designed to protect fundamental legal values and ensure compliance with binding norms.(Corda, 2020) Through the imposition of criminal sanctions, the state asserts its authority to deter, punish, and prevent conduct that threatens economic order, public trust, and legal certainty. Accordingly, criminal law serves not only as a repressive tool but also as a preventive mechanism capable of reinforcing ethical standards and lawful behavior within corporate practices.

The integration of criminal law into the enforcement of Good Corporate Governance reflects an evolving understanding of corporate accountability. Traditionally, criminal law focused predominantly on individual liability, whereas corporations were treated primarily as subjects of civil or administrative regulation. However, contemporary legal developments increasingly recognize corporations as autonomous legal entities capable of bearing criminal responsibility. Indonesian legislation, including laws on corruption eradication, money laundering prevention, environmental protection, and consumer protection, explicitly acknowledges corporate criminal liability. This recognition represents a significant shift in legal policy, emphasizing that corporations must be held accountable for unlawful acts committed in the course of their business activities, whether carried out by directors, managers, employees, or agents acting on behalf of the corporation.

Despite the formal recognition of corporate criminal liability, the enforcement of criminal law against corporations in Indonesia faces substantial challenges. Law enforcement agencies often encounter difficulties in attributing criminal intent *(mens rea)* to corporate entities, particularly in complex organizational structures where decision-making authority is dispersed. Moreover, limited technical expertise, inadequate inter-agency coordination, and inconsistent application of sanctions have weakened the deterrent effect of criminal law. As a consequence, many corporate governance violations are addressed only through administrative penalties or civil remedies, which may fail to reflect the gravity of the harm caused or to create meaningful deterrence. This situation raises concerns regarding the effectiveness of criminal law as an instrument for enforcing Good Corporate Governance.

From a normative perspective, criminal law should not be viewed merely as an ultimum remedium or a last resort applied only after other regulatory mechanisms have failed. Instead, it should function as an integral component of a comprehensive corporate governance system. When properly designed and enforced, criminal law can complement internal governance mechanisms by establishing clear boundaries of acceptable conduct and reinforcing the importance of integrity and accountability. The threat of criminal sanctions may encourage corporations to strengthen internal

compliance programs, improve risk management systems, and cultivate an ethical corporate culture that prioritizes lawful and responsible business practices.

Furthermore, the effective enforcement of criminal law against corporate governance violations contributes to broader societal objectives. It enhances public confidence in the legal system, promotes fair competition, and protects economic stability. In the absence of effective enforcement, corporations that engage in unlawful practices may gain unfair advantages over compliant competitors, thereby distorting market mechanisms and undermining the rule of law.(Jiménez, 2025) Therefore, strengthening the role of criminal law in the context of Good Corporate Governance is not solely a matter of corporate regulation but also an essential element of national economic governance and sustainable development.

Given these considerations, this study seeks to examine the role of criminal law in enforcing Good Corporate Governance in Indonesia and to assess the factors influencing its effectiveness. By adopting a normative juridical approach, this research analyzes relevant legislation, legal doctrines, and judicial decisions to explore how criminal law interacts with corporate governance principles in practice. The study aims to provide a comprehensive understanding of the challenges and opportunities associated with the use of criminal law as an instrument for promoting integrity, transparency, and accountability within the corporate sector.

Ultimately, this research argues that the enforcement of Good Corporate Governance requires a synergistic approach that integrates criminal law with corporate governance mechanisms and regulatory policies. Criminal law should be positioned not merely as a punitive measure but as a strategic tool for fostering compliance, ethical conduct, and sustainable business practices. Through regulatory reform, institutional strengthening, and the development of a robust compliance culture, criminal law can play a pivotal role in shaping a corporate environment that upholds the principles of Good Corporate Governance and contributes positively to Indonesia's economic and legal development.

II. RESEARCH METHOD

This study employs a normative juridical research method, which focuses on the examination of legal norms, principles, and doctrines governing the role of criminal law in enforcing Good Corporate Governance (GCG) within the corporate sector in Indonesia. Normative legal research is particularly appropriate for this study because the issues under examination concern the interpretation, coherence, and effectiveness of existing legal frameworks rather than empirical behavior or statistical measurement.(Iqbal et al., 2025) The research seeks to analyze how criminal

law functions as a regulatory and enforcement instrument in corporate governance and to assess its normative adequacy in addressing corporate misconduct.

Normative juridical research is conducted through the analysis of written legal materials that constitute the primary sources of law. This approach emphasizes the study of law in books rather than law in action, focusing on legal norms as formulated in legislation, judicial decisions, and legal doctrines. By adopting this method, the research aims to identify the extent to which criminal law provisions support or hinder the effective implementation of Good Corporate Governance principles, particularly in relation to corporate criminal liability, compliance obligations, and enforcement mechanisms.

To achieve its objectives, this research applies two main approaches: the statutory approach and the conceptual approach. The statutory approach involves a systematic examination of relevant legislation governing corporate governance and criminal liability in Indonesia. This includes, but is not limited to, laws on corporate entities, corruption eradication, money laundering prevention, financial regulation, and other statutes that recognize corporations as subjects of criminal law. Through this approach, the study analyzes the consistency, scope, and substance of legal norms regulating corporate conduct and evaluates their alignment with Good Corporate Governance principles such as transparency, accountability, responsibility, independence, and fairness. The statutory approach also enables the identification of regulatory gaps, overlaps, or ambiguities that may weaken the effectiveness of criminal law enforcement in the corporate context.

The conceptual approach is employed to examine legal doctrines, theories, and scholarly opinions relevant to corporate criminal liability and Good Corporate Governance. This approach is essential for understanding the theoretical foundations underlying the use of criminal law as an enforcement mechanism in corporate governance. Concepts such as corporate personhood, mens rea of corporations, compliance-based enforcement, deterrence theory, and the preventive and repressive functions of criminal law are analyzed to provide a normative framework for assessing the role of criminal law in shaping corporate behavior. By engaging with legal scholarship and doctrinal debates, the research seeks to clarify the normative justification for imposing criminal sanctions on corporations and to explore how such sanctions may contribute to the development of an ethical and compliant business environment.

The sources of legal materials used in this study are divided into primary, secondary, and tertiary legal materials. Primary legal materials consist of binding legal sources, including statutes, regulations, and judicial decisions relevant to corporate criminal liability

and corporate governance. These materials form the core basis of the legal analysis, as they represent authoritative expressions of positive law. Secondary legal materials include legal textbooks, academic journal articles, commentaries, and expert opinions that provide interpretation, critique, and contextual understanding of primary legal materials. Tertiary legal materials, such as legal dictionaries and encyclopedias, are used to clarify legal terminology and concepts to ensure analytical precision.

The collection of legal materials is conducted through a comprehensive literature review, employing both manual and digital research techniques. Statutes and regulations are examined in their latest versions to ensure accuracy and relevance, while academic literature is selected based on its credibility, scholarly contribution, and relevance to the research topic. Particular attention is given to recent legal developments and contemporary scholarly debates to ensure that the analysis reflects current legal realities and policy considerations.

The analysis of legal materials is carried out using a qualitative-descriptive method. This method involves organizing, interpreting, and systematically describing legal norms and concepts to construct coherent legal arguments. Rather than quantifying data, qualitative analysis focuses on the substance, meaning, and implications of legal rules and doctrines. In this study, qualitative analysis is used to interpret how criminal law norms interact with corporate governance principles and to assess whether existing legal frameworks effectively promote compliance and accountability within corporations.

The analytical process is conducted through several stages. First, relevant legal norms related to criminal law and corporate governance are identified and categorized. Second, these norms are examined in light of Good Corporate Governance principles to assess their normative coherence and practical relevance. Third, the study evaluates the effectiveness of criminal law enforcement mechanisms by analyzing doctrinal interpretations and judicial reasoning concerning corporate criminal liability. Finally, the research synthesizes the findings to formulate normative conclusions and recommendations aimed at strengthening the role of criminal law in enforcing Good Corporate Governance.

This study adopts a prescriptive and evaluative orientation, meaning that it not only describes existing legal conditions but also critically assesses their adequacy in achieving normative objectives. The research seeks to provide reasoned arguments regarding how criminal law should be positioned within the corporate governance framework to enhance integrity, transparency, and accountability. By identifying weaknesses in the current legal system and proposing normative improvements, the study contributes to the development of legal policy discourse on corporate governance and criminal law in Indonesia.

In conclusion, the normative juridical methodology applied in this research provides a structured and rigorous framework for analyzing the role of criminal law in enforcing Good Corporate Governance. Through statutory and conceptual analysis supported by qualitative-descriptive methods, this study aims to offer a comprehensive understanding of the legal challenges and opportunities associated with corporate criminal liability. The methodology ensures that the research findings are grounded in legal reasoning, doctrinal coherence, and normative relevance, thereby contributing meaningfully to academic scholarship and legal reform initiatives in the field of corporate governance and criminal law.

III. RESULT & DISCUSSION

A. The Implementation of Good Corporate Governance (GCG) Principles in Corporations in Indonesia

The implementation of Good Corporate Governance (GCG) principles in Indonesia has undergone notable development over the past two decades, particularly following the Asian financial crisis of 1998, which revealed profound structural weaknesses in corporate governance across various sectors. The crisis exposed issues such as lack of transparency, weak accountability mechanisms, excessive concentration of managerial power, and ineffective internal controls within corporations. These deficiencies not only triggered corporate collapses but also undermined public confidence in the national economic system. In response, the Indonesian government initiated a series of regulatory reforms aimed at strengthening corporate governance as a foundation for sustainable economic growth and legal certainty.

The institutionalization of GCG in Indonesia has been supported by the establishment of regulatory bodies and the issuance of governance guidelines. Institutions such as the Financial Services Authority *(Otoritas Jasa Keuangan/OJK),* the Ministry of State-Owned Enterprises *(Kementerian BUMN),* and the National Committee on Governance Policy *(Komite Nasional Kebijakan Governance/KNKG)* play a central role in promoting and supervising the implementation of GCG principles. In the context of publicly listed companies, GCG has become a legal obligation, as stipulated in OJK Regulation No. 21/POJK.04/2015 concerning the Implementation of Corporate Governance for Public Companies. This regulation requires corporations to adhere to core governance principles, namely transparency, accountability, responsibility, independence, and fairness, in conducting their business activities.

Despite the availability of a relatively comprehensive regulatory framework, the practical implementation of GCG in Indonesia remains uneven. Public companies generally demonstrate higher levels of compliance compared to

private corporations, particularly small and medium-sized enterprises (SMEs). This disparity can be attributed to differences in regulatory oversight and disclosure obligations. Public companies are subject to stringent reporting requirements, regular audits, and continuous supervision by OJK and the Indonesia Stock Exchange. As a result, many listed companies have established governance structures such as independent commissioners, audit committees, risk management systems, and internal audit units as part of their compliance with GCG standards.

However, the situation differs significantly in privately held companies, especially family-owned businesses and SMEs. In many such entities, GCG is still perceived as an administrative burden rather than a strategic necessity. Corporate decision-making is often centralized in the hands of owners or dominant shareholders, leading to limited checks and balances within the organization.(Gudkov, 2019) This concentration of power frequently undermines the principles of accountability and independence, which are essential components of effective corporate governance. Consequently, GCG practices in private corporations tend to be formalistic and lack substantive implementation.

Another major challenge in the implementation of GCG in Indonesia lies in the persistence of practices that contradict governance principles, such as conflicts of interest, collusion between management and external parties, and manipulation of corporate information. These practices are often facilitated by weak internal control systems and ineffective oversight mechanisms. In some cases, internal audit functions lack independence because they are structurally subordinated to management, thereby limiting their ability to detect and report governance violations. This condition illustrates that the existence of governance structures alone is insufficient without genuine commitment to ethical conduct and compliance.

Cultural factors also play a significant role in shaping corporate governance practices in Indonesia. Many corporations operate within organizational cultures that prioritize personal relationships, loyalty, and hierarchical authority over professionalism and objective decision-making. Such cultures may hinder the implementation of fairness and independence, as decisions are influenced by informal networks rather than transparent and merit-based processes. Moreover, the paternalistic leadership style commonly found in family-owned corporations often discourages critical oversight and dissent, thereby weakening governance effectiveness.

Nevertheless, it is important to acknowledge the positive developments that have emerged in recent years. Several large corporations, including state-owned enterprises (SOEs) and multinational companies operating in Indonesia, have increasingly integrated

GCG principles into their long-term corporate strategies. The adoption of enterprise risk management systems, independent internal audit functions, whistleblowing mechanisms, and sustainability reporting reflects growing awareness of the strategic value of good governance. In the SOE sector, the Ministry of State-Owned Enterprises conducts regular GCG assessments through self-evaluation and external audits, which have contributed to measurable improvements in governance performance.

The implementation of GCG also plays a crucial role in preventing corporate misconduct and economic crimes. By promoting transparency and accountability, GCG reduces opportunities for fraudulent activities such as financial statement manipulation, corruption, and abuse of corporate assets. Effective governance mechanisms enable early detection of irregularities and facilitate corrective actions before violations escalate into criminal offenses. In this sense, GCG functions as a preventive instrument that complements legal enforcement mechanisms, particularly criminal law.

However, despite these advancements, significant gaps remain between normative expectations and empirical realities. One of the most critical weaknesses is the lack of internalization of GCG values within corporate culture. In many corporations, governance principles are applied merely to satisfy regulatory requirements rather than to guide daily business practices. This superficial compliance undermines the transformative potential of GCG and limits its effectiveness in fostering ethical and lawful corporate behavior. Without strong internal commitment, governance mechanisms may exist only on paper, failing to influence actual decision-making processes.

Furthermore, external supervision of GCG implementation faces its own limitations. Regulatory authorities often encounter constraints in terms of human resources, technical expertise, and enforcement capacity. As a result, monitoring efforts may focus primarily on formal compliance rather than substantive governance quality. In the absence of robust enforcement, corporations may perceive governance violations as low-risk activities with minimal consequences, thereby weakening deterrence and accountability.

The uneven implementation of GCG in Indonesia underscores the need for a more integrated and enforcement-oriented approach. Strengthening corporate governance requires not only clear regulations and institutional frameworks but also effective enforcement mechanisms that ensure compliance. In this context, the role of criminal law becomes increasingly relevant. Criminal sanctions can serve as a powerful deterrent against serious governance violations that threaten public interests and economic stability.(Peksen, 2021) When corporate misconduct results in significant harm,

reliance solely on administrative or civil remedies may be inadequate.

Therefore, the implementation of GCG in Indonesia should be viewed as a dynamic process that requires continuous improvement and reinforcement. Corporations must move beyond formal compliance and embrace governance principles as an integral part of their organizational identity. At the same time, the state must ensure that governance standards are supported by effective enforcement, including the application of criminal law where appropriate. Through this synergistic approach, GCG can function not merely as a regulatory framework but as a substantive mechanism for promoting integrity, accountability, and sustainability within Indonesia's corporate sector.

B. The Role of Criminal Law in Enforcing Good Corporate Governance (GCG)

The role of criminal law in enforcing Good Corporate Governance (GCG) has become increasingly significant in response to the growing complexity of corporate activities and the rising incidence of corporate misconduct. In modern business environments, corporations possess extensive economic power and organizational capacity, enabling them to influence markets, public policy, and societal welfare. While this power contributes positively to economic development, it also creates substantial risks when corporate activities are conducted without adequate governance and accountability. In this context, criminal law serves as a critical instrument to ensure that corporate behavior aligns with legal norms, ethical standards, and public interests.

Traditionally, corporate governance has relied heavily on internal mechanisms such as boards of directors, audit committees, risk management systems, and codes of conduct. These mechanisms are designed to promote transparency, accountability, and responsible decision-making within corporations. However, internal governance structures often prove insufficient when corporations engage in serious violations that generate significant harm to stakeholders and society. Corporate crimes such as corruption, money laundering, market manipulation, and large-scale fraud illustrate the limitations of self-regulation and administrative oversight.(Peksen, 2021) Consequently, criminal law assumes a vital role as an external enforcement mechanism capable of addressing governance failures that exceed the remedial capacity of internal controls.

Criminal law functions as an instrument of social control that protects fundamental legal values, including economic order, fairness, and public trust. In the context of Good Corporate Governance, criminal law performs both preventive and repressive functions. The preventive function operates through the deterrent effect of criminal sanctions, encouraging corporations and corporate decision-makers to comply with governance standards to avoid legal consequences. The repressive function, on the other hand, manifests in the imposition of penalties on corporations and individuals responsible for governance violations, thereby reaffirming the authority of the legal

system and restoring normative order.

The integration of criminal law into corporate governance enforcement reflects the evolution of legal thought regarding corporate accountability. Historically, criminal liability was primarily associated with natural persons, based on the assumption that only individuals possess moral agency and intent. However, contemporary legal systems increasingly recognize corporations as autonomous legal entities capable of committing crimes through their organizational structures and decision-making processes. Indonesian law has embraced this development by recognizing corporate criminal liability in various statutes, including laws on corruption eradication, money laundering prevention, environmental protection, and consumer protection. This recognition underscores the principle that corporations must bear responsibility for unlawful acts committed in the course of their business activities.(Ekundayo et al., 2024)

The application of corporate criminal liability plays a crucial role in strengthening Good Corporate Governance. By holding corporations accountable for criminal conduct, the law reinforces the principles of responsibility and accountability that lie at the core of GCG. Criminal liability signals that governance failures resulting in serious harm will not be tolerated and that corporations cannot evade responsibility by attributing misconduct solely to individual employees. This approach aligns with the governance principle that corporations, as collective entities, must ensure that their organizational systems prevent unlawful behavior and promote ethical conduct.

Furthermore, criminal law contributes to the development of a compliance-oriented corporate culture. The existence of criminal sanctions encourages corporations to invest in compliance programs, internal controls, and ethical training. Effective compliance systems not only reduce the risk of criminal liability but also enhance corporate governance by institutionalizing transparency and accountability. In this regard, criminal law functions not merely as a punitive tool but as a catalyst for organizational reform. Corporations that perceive criminal enforcement as a credible threat are more likely to internalize governance norms and integrate them into daily business practices.

Despite its normative significance, the role of criminal law in enforcing Good Corporate Governance in Indonesia faces substantial challenges. One of the primary difficulties lies in attributing criminal intent (mens rea) to corporate entities. Corporate crimes are typically committed through complex decision-making processes involving multiple actors at different levels of the organization. Determining whether unlawful conduct reflects corporate policy, managerial negligence, or individual misconduct requires sophisticated legal analysis and evidentiary standards. This complexity often hinders effective prosecution and weakens the deterrent effect of criminal law.

Another challenge concerns the capacity of law enforcement institutions to handle corporate crime cases. Corporate governance violations often involve intricate financial transactions, cross-border activities, and advanced accounting practices that demand specialized expertise. Limited technical skills, inadequate resources, and

insufficient inter-agency coordination among law enforcement bodies may impede thorough investigation and prosecution. As a result, many governance-related offenses are addressed through administrative sanctions or civil settlements rather than criminal proceedings, potentially undermining accountability and public confidence in the legal system.

Moreover, inconsistencies in the application of criminal sanctions against corporations further weaken the enforcement of Good Corporate Governance. In some cases, penalties imposed on corporations are disproportionate to the harm caused, thereby failing to generate meaningful deterrence. In other cases, enforcement actions focus primarily on individual executives while allowing corporate entities to avoid liability. Such selective enforcement creates perceptions of inequality before the law and may encourage opportunistic behavior among corporate actors.

From a policy perspective, criminal law should not be positioned solely as an ultimum remedium applied only after other regulatory mechanisms fail.(Abdurrachman et al., 2021) While the principle of ultimum remedium remains relevant to prevent over-criminalization, excessive reliance on administrative measures may be inadequate in addressing systemic governance failures. Instead, criminal law should be integrated into a broader enforcement framework that combines preventive, corrective, and punitive measures. This integrated approach enables criminal law to function as an instrument of compliance that reinforces corporate governance objectives.

The role of criminal law in enforcing Good Corporate Governance also extends to protecting fair competition and economic integrity. Corporations that engage in corrupt or fraudulent practices often gain unfair advantages over law-abiding competitors, distorting market dynamics and undermining economic justice. By penalizing such conduct, criminal law promotes a level playing field and safeguards the credibility of the business environment. This function is particularly important in emerging economies such as Indonesia, where investor confidence and economic stability depend heavily on the perceived integrity of corporate governance systems.

In addition, effective criminal enforcement of governance standards contributes to the protection of public interests, including state finances, consumer rights, and environmental sustainability. Corporate crimes often produce diffuse harms that extend beyond individual victims, affecting society as a whole. Criminal law provides a mechanism to address these collective harms and to affirm the state's commitment to upholding the rule of law in the economic sphere. Through visible and consistent enforcement, criminal law strengthens public trust in both the corporate sector and legal institutions.

In conclusion, criminal law plays a strategic and indispensable role in enforcing Good Corporate Governance. By providing a credible threat of sanctions, criminal law reinforces accountability, deters misconduct, and encourages the development of compliance-oriented corporate cultures. However, to maximize its effectiveness, criminal law enforcement must be supported by clear legal frameworks, institutional capacity-building, and consistent application of corporate

criminal liability. When integrated effectively with corporate governance mechanisms, criminal law can function not only as a means of punishment but also as a transformative instrument that promotes integrity, transparency, and accountability within the corporate sector. Such integration is essential for achieving sustainable economic development and strengthening the rule of law in Indonesia.

C. The Effectiveness of Criminal Law Enforcement against Violations of Good Corporate Governance (GCG)

The effectiveness of criminal law enforcement against violations of Good Corporate Governance (GCG) constitutes a critical determinant in assessing whether criminal law can function as a meaningful instrument for ensuring corporate accountability and integrity. While the normative framework in Indonesia has formally recognized corporations as subjects of criminal liability, the practical enforcement of criminal law against governance-related violations remains fraught with challenges. This gap between legal norms and enforcement realities raises important questions regarding the capacity of the criminal justice system to address complex corporate misconduct and to reinforce GCG principles in a substantive manner.

One of the primary indicators of enforcement effectiveness is the consistent application of corporate criminal liability. In theory, Indonesian criminal law allows corporations to be held liable for unlawful acts committed in the course of business activities, particularly in areas such as corruption, money laundering, environmental crimes, and financial fraud. However, in practice, criminal proceedings often focus on individual perpetrators such as directors, managers, or employees while corporate entities themselves escape liability. This individual-centric approach undermines the collective responsibility inherent in corporate governance and weakens the accountability framework envisioned by GCG. When corporations are not held directly accountable, governance failures rooted in organizational structures and corporate policies remain unaddressed.

The difficulty in enforcing corporate criminal liability is closely linked to evidentiary and doctrinal challenges, particularly in establishing corporate mens rea. Corporate crimes are typically the result of complex decision-making processes involving multiple actors and hierarchical structures. Determining whether unlawful conduct reflects corporate intent, systemic negligence, or isolated individual misconduct requires sophisticated legal reasoning and access to detailed organizational evidence. In many cases, the absence of clear guidelines or standardized criteria for attributing intent to corporate entities creates uncertainty for law enforcement agencies and courts. This uncertainty often leads to reluctance in pursuing corporate criminal charges, thereby

diminishing the deterrent effect of criminal law.

Institutional capacity also plays a significant role in shaping the effectiveness of criminal law enforcement against GCG violations. Corporate crimes often involve intricate financial arrangements, cross-border transactions, and advanced accounting practices that demand specialized expertise. Law enforcement officials, including investigators, prosecutors, and judges, may lack adequate training or technical knowledge to fully comprehend the complexity of such cases.(Steele et al., 2011) Moreover, limited access to forensic accounting tools and financial intelligence further constrains investigative capabilities. These institutional limitations hinder the ability of the criminal justice system to respond effectively to corporate misconduct and contribute to low prosecution rates for governance-related crimes.

Another factor affecting enforcement effectiveness is the fragmentation of regulatory and enforcement authority. Corporate governance violations often fall within the jurisdiction of multiple institutions, such as financial regulators, anti-corruption agencies, tax authorities, and environmental enforcement bodies. While such multi-agency involvement has the potential to strengthen oversight, it may also result in coordination problems, overlapping mandates, and bureaucratic inefficiencies. In practice, weak inter-agency cooperation and inadequate information-sharing mechanisms often impede comprehensive enforcement efforts. As a result, criminal law enforcement against GCG violations may become reactive, selective, or incomplete.

The proportionality and consistency of criminal sanctions imposed on corporations also significantly influence enforcement effectiveness. In some cases, sanctions imposed on corporate offenders are insufficient to reflect the gravity of the harm caused, particularly when financial penalties are minor relative to corporate profits. Such outcomes fail to create meaningful deterrence and may encourage corporations to view criminal sanctions as a manageable business risk. Conversely, inconsistent sentencing practices may lead to perceptions of arbitrariness or inequality before the law, thereby undermining public confidence in the criminal justice system. Effective enforcement requires sanctions that are not only legally sound but also economically and socially impactful.

Beyond structural and institutional factors, legal culture plays a crucial role in determining the effectiveness of criminal law enforcement. Many corporations continue to perceive criminal law as an external threat rather than as an integral component of corporate governance. This perception reflects a limited understanding of compliance as a core governance obligation. When corporate actors prioritize short-term economic gains over legal and ethical

considerations, governance violations are more likely to occur. Weak enforcement further reinforces this mindset by signaling that violations may not result in serious consequences. In such an environment, the deterrent function of criminal law becomes significantly weakened.

The effectiveness of criminal law enforcement is also influenced by the broader regulatory approach adopted by the state. Excessive reliance on administrative sanctions and civil remedies may dilute the role of criminal law in addressing serious governance violations. While administrative and civil measures are essential components of corporate regulation, they may be insufficient in cases involving systemic misconduct or significant public harm. Criminal law possesses a unique expressive function, conveying societal condemnation of unlawful conduct and affirming the importance of legal and ethical standards. When criminal enforcement is underutilized, this expressive function is diminished, weakening the normative force of GCG principles.

Nevertheless, it is important to recognize that criminal law should not be applied indiscriminately. The principle of proportionality requires that criminal sanctions be reserved for serious violations that threaten public interests and undermine the integrity of the corporate system. However, this principle should not be misconstrued as justification for minimal enforcement. Rather, it underscores the need for a balanced approach that integrates criminal law into a comprehensive governance enforcement framework. Such an approach ensures that criminal law complements, rather than replaces, preventive and administrative measures.

To enhance the effectiveness of criminal law enforcement against GCG violations, several strategic measures are necessary. First, legal frameworks governing corporate criminal liability should be clarified and harmonized to provide clear guidance on attribution of liability, standards of proof, and applicable sanctions. Second, institutional capacity-building initiatives should be prioritized, including specialized training for law enforcement personnel in corporate crime investigation and prosecution. Third, inter-agency coordination mechanisms must be strengthened to facilitate information sharing and collaborative enforcement efforts.

Equally important is the promotion of a compliance-oriented corporate culture. Criminal law enforcement should be aligned with policies that encourage corporations to adopt robust internal governance and compliance systems. Incentives for self-reporting, cooperation with law enforcement, and implementation of effective compliance programs may enhance both preventive and corrective outcomes. In this context, criminal law functions not merely as a punitive mechanism but as a driver of organizational change.

In conclusion, the effectiveness of criminal law enforcement against violations of Good Corporate Governance in Indonesia remains limited by doctrinal, institutional, and cultural challenges. While the normative framework provides a foundation for corporate criminal liability, enforcement practices have yet to fully realize its potential as a governance instrument. Strengthening enforcement effectiveness requires a holistic approach that combines legal reform, institutional strengthening, consistent sanctioning, and cultural transformation within the corporate sector. When effectively implemented, criminal law can play a decisive role in reinforcing GCG principles, promoting accountability, and safeguarding public trust in the corporate system. Such effectiveness is essential for achieving sustainable economic development and upholding the rule of law in Indonesia's evolving business environment.

IV. CONCLUSION

The implementation of Good Corporate Governance (GCG) constitutes a fundamental pillar in ensuring transparency, accountability, and integrity within corporate operations. However, this study demonstrates that, despite the existence of an established regulatory framework, the practical application of GCG in Indonesia remains inconsistent and, in many cases, merely formalistic. Structural weaknesses within corporate governance systems, limited internalization of ethical values, and disparities in regulatory oversight between public and private corporations continue to hinder the realization of substantive governance practices. These conditions create an environment in which corporate misconduct may persist, thereby undermining public trust and economic stability.

This research further confirms that criminal law plays a strategic and indispensable role in reinforcing the enforcement of Good Corporate Governance. Through its preventive and repressive functions, criminal law serves as an external mechanism capable of addressing serious governance violations that exceed the corrective capacity of administrative and civil measures. The recognition of corporate criminal liability under Indonesian law represents a significant advancement in holding corporations accountable as legal entities. Nevertheless, the effectiveness of criminal law enforcement remains constrained by doctrinal ambiguities, institutional limitations, inconsistent application of sanctions, and a weak compliance culture within the corporate sector. These challenges diminish the deterrent effect of criminal law and reduce its potential contribution to strengthening corporate governance.

Therefore, the study concludes that enhancing the effectiveness of Good Corporate Governance requires a synergistic integration of criminal law enforcement and corporate governance mechanisms. Legal reform aimed at clarifying corporate criminal liability, capacity-building for law enforcement agencies, and the promotion of a compliance-oriented corporate culture are essential steps toward achieving this objective. Criminal law should be positioned not merely as a punitive instrument but as a strategic tool for

fostering ethical conduct, transparency, and accountability in business practices. Through such an integrated approach, criminal law can contribute meaningfully to the development of a resilient corporate governance system that supports sustainable economic growth and upholds the rule of law in Indonesia.

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