

## ***Legal Analysis of Articles of Association Amendments That Cause Share Dilution: Implications for Minority Shareholders' Rights***

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### ***Abstract***

*This study analyzes the juridical validity of amendments to articles of association that lead to share dilution and their implications for minority shareholders in Indonesian corporate law. The urgency arises from the growing number of corporate actions that, while procedurally legal, result in substantive disadvantages for minority shareholders, creating governance imbalances. Using a normative juridical method, the research examines relevant laws, doctrines, and legal principles governing shareholder protection in share dilution cases. The findings reveal that amendments to articles of association often result in a loss of ownership percentage and voting power for minority shareholders due to inadequate safeguards such as pre-emptive rights. The study highlights the gap between formal legal compliance and substantive fairness, identifying weaknesses in both enforcement and regulatory oversight. The novelty of this research lies in its focus on the intersection between corporate governance and minority rights in the context of articles of association amendments, an area that remains underexplored in Indonesian legal scholarship. The study concludes that current protections are insufficient and recommends legal reforms, including enhanced minority veto rights, stronger enforcement mechanisms, and the institutionalization of accessible dispute resolution avenues.*

**Keywords:** *Articles of Association; Minority Shareholders; Share Dilution*

### **1. INTRODUCTION**

It is essential for a limited liability company to have articles of association, which function as the company's "constitution."<sup>1</sup> The articles of association include not only administrative rules about company establishment but also important regulations about organizational structure, relationships between company organs, and shareholders' rights and obligations. Thus, the articles of association shape the company's identity and decision-making processes. Shareholders' ownership is a crucial component often affected by amendments to the articles of association, especially when such changes relate to increasing authorized capital or issued and paid-up capital.<sup>2</sup> These changes can cause share dilution, where existing shareholders' ownership percentage decreases due to new shares issued by the company.

Share dilution occurs when a company issues new shares to increase its capital or acquire another company.<sup>3</sup> The number of shares owned by existing shareholders doesn't decrease because of new share issuance, but due to the increased number of shares

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<sup>1</sup> Sheerleen and M I F Rahayu, "Mengurai Kepastian Hukum: Deadlock Dan Implikasinya Terhadap Pemegang Saham Dalam Perseroan Terbatas Dengan Kepemilikan Berimbang," *Syntax Literate* 9, no. 4 (2024): 2304–22.

<sup>2</sup> Cynthia Afriani Utama, Sidharta Utama, and Fitriany Amarullah, "Corporate Governance and Ownership Structure: Indonesia Evidence," *Corporate Governance: The International Journal of Business in Society* 17, no. 2 (January 2017): 165–91, <https://doi.org/10.1108/CG-12-2015-0171>.

<sup>3</sup> Andara Tsabitha et al., "Dampak Akuisisi Terhadap Profitabilitas Perusahaan Menurut Undang-Undang Nomor 40 Tahun 2007 Tentang Perseroan Terbatas," *Media Hukum Indonesia* 2, no. 4 (October 2024): 117–23.

circulating in the market, their ownership percentage becomes smaller.<sup>4</sup> This share dilution can reduce shareholders' control and power, especially regarding important company decision-making. The phenomenon has become increasingly problematic in Indonesia's corporate landscape, where formal compliance with legal procedures often masks substantive injustices against minority shareholders.

Recent research has examined various aspects of minority shareholder protection in corporate governance. Kania analyzed the effectiveness of pre-emptive rights mechanisms in protecting minority shareholders during capital increases, revealing significant gaps between legal provisions and practical implementation.<sup>5</sup> While this study provided valuable insights into procedural protections, it did not examine the substantive impact of articles of association amendments on minority shareholder economic interests or the adequacy of current dispute resolution mechanisms. Khotimah investigated the role of institutional oversight in corporate governance, finding that regulatory agencies often focus on procedural compliance rather than substantive fairness in corporate decisions.<sup>6</sup> However, this research did not specifically address the unique challenges posed by share dilution or the intersection of corporate law and minority protection principles.

Another significant study examined comparative approaches to minority shareholder protection across different jurisdictions, highlighting Indonesia's need for enhanced protective mechanisms.<sup>7</sup> While comprehensive, this research did not analyze specific cases of articles of association amendments or provide practical guidance for minority shareholders facing dilutive corporate actions. The study's broad comparative approach, while valuable, left unexplored the specific legal and cultural factors that make minority protection particularly challenging in Indonesia's corporate environment.

A recent national study by Al Ghany and Purwanto in 2024 specifically examined legal protection for shareholders affected by share dilution in closed limited liability companies, focusing on preventive measures through the board of commissioners and repressive remedies through litigation.<sup>8</sup> While this research provided valuable insights into the mechanics of share dilution and existing legal remedies under Indonesian Company

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<sup>4</sup> RNC24, "Memahami Permenkumham No. 2/2025: Aturan Baru Pelaporan Beneficial Ownership Di Indonesia," 2025.

<sup>5</sup> Nia Kania, R Kartikasari, and Etty Djukardi, "Penerbitan Saham Bank Bumd Terbuka Tanpa Hak Memesan Efek Terlebih Dahulu Dihubungkan Dengan Fungsi Pasar Modal Sebagai Alternatif Pembiayaan Perusahaan Dan Investasi," *Jurnal Poros Hukum Padjadjaran* 2, no. 1 SE-Articles (November 30, 2020): 1–20, <https://doi.org/10.23920/jphp.v2i1.290>.

<sup>6</sup> Hilda Husnul Khotimah, Eka Ardianto Iskandar, and Herli Antoni, "Analisis Yuridis Peran Otoritas Jasa Keuangan Dalam Pengawasan Pasar Keuangan Di Indonesia: Peluang Dan Tantangan," *Politica: Jurnal Hukum Tata Negara Dan Politik Islam* 11, no. 2 (2024): 262–77.

<sup>7</sup> Rodiyah Rodiyah, Siti Hafsyah Idris, and Robert Brian Smith, "Mainstreaming Justice in the Establishment of Laws and Regulations Process: Comparing Case in Indonesia, Malaysia, and Australia," *Journal of Indonesian Legal Studies* 8, no. 1 (2023): 333–78, <https://doi.org/10.15294/jils.v7i2.60096>.

<sup>8</sup> Gathan Sulthon Al Ghany and Aldira Mara Ditta Caesar Purwanto, "Perlindungan Hukum Terhadap Pemegang Saham Akibat Dilusi Saham Pada Perseroan Tertutup," *Wajah Hukum* 8, no. 2 (2024): 615–28, <https://doi.org/http://dx.doi.org/10.33087/wjh.v8i2.1526>.

Law, it primarily focused on closed corporations and did not address the broader implications of articles of association amendments across different corporate structures. Moreover, the study's analysis remained largely descriptive rather than critically examining the adequacy of current legal frameworks or proposing systematic reforms to address the fundamental tension between formal legal compliance and substantive fairness in corporate governance.

This research addresses these gaps by conducting a comprehensive analysis of the legal validity of articles of association amendments causing share dilution and their implications for minority shareholders' rights. The study provides practical insights into the effectiveness of current protective mechanisms and proposes enhanced legal frameworks for minority protection. The research aims to analyze the legal validity of articles of association amendments that result in share dilution and examine their implications for minority shareholders' rights under Indonesian corporate law.

## **2. METHOD**

This normative juridical research focuses on legal regulations governing articles of association amendments in limited liability companies that result in share dilution and their impact on minority shareholders' rights in Indonesia.<sup>9</sup> The normative juridical method analyzes applicable laws and regulations, relevant legal principles, and legal doctrines related to minority shareholder protection in the context of articles of association amendments.<sup>10</sup> This research also uses legal behavior products, such as case study decisions, analysis of Law No. 40 of 2007 on Limited Liability Companies, and legal principles applicable in Indonesian limited liability company law. This research aims to evaluate whether current regulations align with and are consistent with requirements to protect minority shareholders from articles of association amendments that may cause share dilution. It examines how far applicable laws protect minority shareholders disadvantaged by certain corporate actions, even after going through formal steps. Additionally, this research aims to examine the effectiveness of existing legal protections and provide recommendations for improving Indonesia's limited liability company legal system.

## **3. RESULTS AND DISCUSSION**

### **3.1 Juridical Validity Analysis of Articles of Association Amendments Causing Share Dilution**

The articles of association are a very important legal document that serves as the main guideline for business activities and company decision-making.<sup>11</sup> These documents

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<sup>9</sup> G. N. Wala, "Legal Perspectives on Intellectual Property Rights Cases Related to Language Rhetoric in Trademark Registration," *Greenation International Journal of Law and Social Sciences (GIJLSS)* 2, no. 4 (2024): 284–89.

<sup>10</sup> J. Efendi and P. Rijadi, *Metode Penelitian Hukum Normatif Dan Empiris*, 2nd ed. (Depok: Prenada Media Group, 2022).

<sup>11</sup> Niru Anita Sinaga, "Kode Etik Sebagai Pedoman Pelaksanaan Profesi Hukum Yang Baik," *Ilmiah Hukum Dirgantara* 10, no. 2 (2020): 1–34.

encompass basic provisions about company identity, business purposes and activities, capital structure, shareholder composition, and decision-making mechanisms. Therefore, the articles of association function as the company's "constitution," regulating relationships between company organs and shareholders while establishing the foundational framework for corporate governance. Any changes to the articles of association must be made through processes formally regulated by law, specifically through the company's highest organ, the General Meeting of Shareholders (GMS).<sup>12</sup>

Under Law Number 40 of 2007 on Limited Liability Companies (Company Law), articles of association amendments constitute one of the exclusive authorities of the General Meeting of Shareholders (GMS).<sup>13</sup> Article 21 of the Company Law mandates that articles of association amendments must be made through GMS decisions attended and approved by shareholders meeting quorum requirements and approval thresholds established by law.<sup>14</sup> This provision ensures that articles of association amendments cannot be made unilaterally by directors or commissioners but require collective approval from shareholders through the GMS forum, thereby maintaining democratic governance principles within a corporate structure.

The juridical validity of articles of association amendments that cause share dilution must be assessed from both formal and substantive perspectives.<sup>15</sup> From a formal perspective, amendments must comply with procedural requirements established in Company Law, including proper GMS convocation, meeting quorum fulfillment, voting procedures, and notarial documentation.<sup>16</sup> The articles of association amendment process involves several critical stages: GMS convocation with adequate notice, submission of amendment proposals with sufficient detail, meaningful discussion in meetings allowing minority participation, and legitimate decision-making according to attendance quorum provisions and approval thresholds established in Articles 88 and 89 of the Company Law.<sup>17</sup>

However, formal compliance alone does not guarantee juridical validity if amendments substantially violate minority shareholders' rights or contravene fundamental

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<sup>12</sup> Sri Wahyuni, "Kewenangan Notaris Dalam Membuat Akta Pernyataan Terkait Rapat Umum Pemegang Saham (RUPS) Dan Pertanggungjawaban Pidanya (Studi Kasus: Putusan Pengadilan Tinggi Banten Nomor 9/PID/2019/PT. BTN)," *Otentik's: Jurnal Hukum Kenotariatan* 3, no. 2 (2021): 182–204.

<sup>13</sup> Pemerintah Pusat Indonesia, "Undang-undang (UU) Nomor 40 Tahun 2007 tentang Perseroan Terbatas," LN.2007/NO.106, TLN NO.4756, LL SETNEG : 82 HLM § (2007).

<sup>14</sup> Wardani Rizkianti, "Akta Otentik Rapat Umum Pemegang Saham (RUPS) Melalui Media Telekonferensi (Mekanisme Pembuatan Dan Kekuatan Pembuktiannya)," *Jurnal Yuridis* 3, no. 1 (2016): 83–98, <https://doi.org/10.35586/v3i1.172>.

<sup>15</sup> D. P. Jaya and M. A. Hermana, "Tinjauan Yuridis Terhadap Akses Keterbukaan Informasi Publik Dalam Penggunaan Dana Desa Menurut UU No.14 Tahun 2008 Tentang Keterbukaan Informasi Publik," *Al Ijarah: Jurnal Pemerintahan Dan Politik Islam* 8, no. 1 (2024): 85–96.

<sup>16</sup> Muhammad Agus Prasetyo et al., "Reposisi Pelaksanaan Penyelesaian Sengketa Perdata Dengan Gugatan Sederhana (Small Claim Court)," *Jurnal USM Law Review* 4, no. 2 (2022): 905, <https://doi.org/10.26623/julr.v5i1.4237>.

<sup>17</sup> Inzafani Rahman Putri, Dhody A R Widjajaatmaja, and Putra Hutomo, "Kepastian Hukum Keputusan Pemegang Saham Dengan Metode Circular Resolution Dalam Penggantian Direksi Perseroan Terbatas," *Jurnal Multidisiplin Indonesia* 2, no. 9 (2023): 2972–3002, <https://jmi.rivierapublishing.id/index.php/rp>.

principles of corporate law.<sup>18</sup> The substantive validity assessment requires examination of whether amendments serve legitimate business purposes, whether they provide fair treatment to all shareholders, and whether they comply with fiduciary duties owed by majority shareholders to minority shareholders.<sup>19</sup> This dual requirement creates a significant challenge in Indonesian corporate law, where courts and regulatory authorities have traditionally focused on procedural compliance while giving insufficient attention to substantive fairness considerations.

A critical examination of recent judicial decisions reveals the courts' struggle with this fundamental tension. In the landmark case of PT. Primasakti Rizki Pertiwi v. PT. TH Indo Plantations (Decision No. 290/Pdt.G/2017/PN.Btm), the Batam District Court addressed a complex share dilution dispute where the minority shareholder alleged that a debt-to-equity conversion conducted through a proper GMS had diluted their ownership from 10% to 5%.<sup>20</sup> The court's analysis focused primarily on procedural compliance, examining whether the GMS was properly convened and conducted according to legal requirements. However, the substantive impact on minority rights received limited consideration, reflecting the broader judicial tendency to prioritize formal compliance over substantive fairness.

The case demonstrates the inadequacy of current legal frameworks in addressing sophisticated forms of minority oppression. The majority shareholders in this case utilized procedurally correct mechanisms, debt conversion approved through a valid GMS, to achieve substantively unfair results. The minority shareholders' arguments that they were systematically excluded from corporate information, denied dividend distributions, and marginalized in corporate governance were overshadowed by the court's focus on procedural regularity. This judicial approach perpetuates the gap between formal legal compliance and substantive justice that characterizes Indonesian corporate law.

Share dilution occurs when a shareholder's relative ownership percentage in a company decreases due to an increased number of outstanding shares. One main cause of share dilution is new share issuance by companies without being followed by existing shareholders' rights to purchase newly issued shares. If existing shareholders don't exercise their rights to purchase newly issued shares, their ownership will proportionally decrease due to new shareholders entering the company.<sup>21</sup> Articles of association amendments can facilitate share dilution through several mechanisms: increasing authorized capital followed by new share issuance without pre-emptive rights; modifying share classification or voting rights structures; establishing employee stock option programs or management incentive schemes; authorizing convertible securities that dilute existing ownership upon conversion;

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<sup>18</sup> Rio Christiawan, *Aspek Hukum Startup*, ed. Kurniawan Ahmad (Jakarta: Sinar Grafika, 2021).

<sup>19</sup> Susanto et al., *Pengantar Hukum Bisnis* (Banten: Unpam Press, 2019).

<sup>20</sup> Pengadilan Negeri Batam, "Putusan PN Batam Nomor 290/Pdt.G/2017/PN Btm" (Batam, 2017).

<sup>21</sup> Utama, Utama, and Amarullah, "Corporate Governance and Ownership Structure: Indonesia Evidence."

and eliminating or modifying existing shareholder protective provisions.<sup>22</sup>

The juridical validity of such amendments depends on compliance with both procedural safeguards and substantive fairness standards. Courts have recognized that majority shareholders owe fiduciary duties to minority shareholders, requiring that corporate actions be conducted in good faith and for legitimate business purposes rather than solely to benefit controlling shareholders at minority expense.<sup>23</sup> However, practical enforcement of these principles remains inconsistent and often inadequate.

The theoretical foundation for this fiduciary duty analysis derives from the principle of “majority rule with minority protection,” which requires that while majority shareholders possess legitimate authority to make strategic business decisions, this authority must be exercised within bounds that protect minority interests and maintain corporate governance integrity. This principle reflects the understanding that corporations represent a form of social contract where all shareholders contribute capital with the expectation of fair treatment and proportional participation in corporate governance and economic returns.<sup>24</sup> This creates potential for abuse where the majority shareholders utilize their control to approve amendments that benefit their interests while diluting minority holdings. The law attempts to balance majority control with minority protection through various mechanisms, but gaps remain in practical implementation.

### **3.2 Implications for Minority Shareholders' Rights in Share Dilution Cases**

The implications of articles of association amendments causing share dilution for minority shareholders' rights are extensive and multifaceted, affecting both economic interests and governance participation rights. When minority shareholders experience share dilution, they lose proportional voting rights in general meetings of shareholders (GMS). This happens when companies increase capital by issuing new shares, and minority shareholders cannot or choose not to use the pre-emptive right.<sup>25</sup> Consequently, their percentage of votes in GMS decreases, reducing their ability to influence important corporate decisions.

Beyond the immediate loss of voting rights, share dilution creates significant economic harm by reducing minority shareholders' proportional ownership interests and their claims to future corporate distributions. This occurs because minority shareholders

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<sup>22</sup> Christina L Beharry and Elisa Méndez Bräutigam, “Damages and Valuation in International Investment Arbitration,” in *Handbook of International Investment Law and Policy*, ed. Julien Chaisse, Leïla Choukroune, and Sufian Jusoh (Singapore: Springer Singapore, 2021), 1423–54, [https://doi.org/10.1007/978-981-13-3615-7\\_58](https://doi.org/10.1007/978-981-13-3615-7_58).

<sup>23</sup> Mulyadi, *Hukum Pidana Indonesia: Perspektif Praktis* (Jakarta: Rineka Cipta, 2020).

<sup>24</sup> Nurum Dilia Octri Yanie, Budi Sutrisno, and Dwi Martini, “Akuisisi Perusahaan Nasional Oleh Perusahaan Asing Ditinjau Dari Hukum Positif Di Indonesia: (Studi Akuisisi PT.Bank Permata Tbk Oleh Bangkok Bank Public Company Limited),” *Commerce Law* 1, no. 1 SE-Articles (August 30, 2021): 99–111, <https://doi.org/10.29303/commercelaw.v1i1.316>.

<sup>25</sup> Elena Kornyshova and Judith Barrios, “Process-Oriented Knowledge Representation of the Requirement Management Phase of TOGAF-ADM: An Empirical Evaluation,” *Procedia Computer Science* 192 (2021): 2239–48, <https://doi.org/https://doi.org/10.1016/j.procs.2021.08.237>.

often lack the financial resources or information necessary to fully participate in new share issuances, resulting in decreased ownership proportion, even though the absolute number of shares they own remains unchanged.<sup>26</sup> The economic impact extends beyond immediate valuation effects to encompass reduced claims to dividend distributions, liquidation proceeds, and other economic benefits flowing from share ownership. In the long term, systematic dilution can effectively eliminate minority shareholders' economic stake in the company while technically preserving their formal shareholder status.

The legal framework provides several protective mechanisms for minority shareholders facing dilutive corporate actions, though their effectiveness remains questionable in practice. Article 43 of the Company Law establishes pre-emptive rights, also known as subscription rights, designed to protect existing shareholders' ownership proportions from dilution when companies issue new shares.<sup>27</sup> Through this mechanism, existing shareholders theoretically can maintain their proportional interests by purchasing new shares in proportion to their current holdings. However, enforcement of these rights often proves challenging in practice due to inadequate notice provisions, unrealistic exercise periods, and prohibitive pricing structures that effectively deny meaningful participation to minority shareholders.

Law Number 40 of 2007 on Limited Liability Companies provides explicit protection for minority shareholders through various mechanisms.<sup>28</sup> Article 62 grants shareholders the right to seek judicial relief if they believe GMS decisions are unfair or contrary to the articles of association and applicable regulations. Articles 97 paragraph (6) and 114 paragraph (6) provide minority shareholders with standing to file lawsuits against the company, directors, or commissioners when GMS decisions cause them demonstrable harm. Through these lawsuit mechanisms, minority shareholders can theoretically request GMS decision cancellation, compensation, or other equitable relief to restore their position.<sup>29</sup>

Despite these formal legal protections, implementation faces significant structural and practical challenges that often render minority rights illusory rather than effective. Empirical studies demonstrate that minority shareholders frequently encounter substantial difficulties obtaining critical information about corporate decisions, despite legally possessing rights to such information through annual reports and GMS materials. The information asymmetry

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<sup>26</sup> Esthie Nur W.A, Mukhzarudfa Mukhzarudfa, and Yudi Yudi, "Determinan Kepemilikan Asing, Kepemilikan Manajerial, Kebijakan Hutang, Dan Kebijakan Dividen Terhadap Kinerja Keuangan," *JAKU (Jurnal Akuntansi & Keuangan Unja) (E-Journal)* 6, no. 1 SE-Articles (June 15, 2021): 45–60, <https://doi.org/10.22437/jaku.v6i1.13302>.

<sup>27</sup> Otoritas Jasa Keuangan, "Peraturan Otoritas Jasa Keuangan Republik Indonesia Nomor 22/POJK.04/2021 Tentang Penerapan Klasifikasi Saham Dengan Hak Suara Multipel Oleh Emiten Dengan Inovasi Dan Tingkat Pertumbuhan Tinggi Yang Melakukan Penawaran Umum Efek Bersifat Ekuitas Berupa Sa" (Jakarta: Otoritas Jasa Keuangan Republik Indonesia, 2021).

<sup>28</sup> Indonesia, Undang-undang (UU) Nomor 40 Tahun 2007 tentang Perseroan Terbatas.

<sup>29</sup> Budihardjo Hardisurjo, Joko Sriwidodo, and Ramlani Lina Sinaulan, "Eksaminasi Hak Pemegang Saham Pada Perseroan Terbatas Dalam Berbagai Kondisi Menurut UUPT Pasal 72," *Jurnal Hukum Pelita* 5, no. 2 (2024): 244–67, <https://doi.org/10.37366/jh.v5i2.5204>.

problem is particularly acute in closely held corporations where controlling shareholders maintain tight control over information flow and use this advantage to time-dilutive actions in ways that minimize minority shareholders' ability to respond effectively.

The PT. Primasakti case exemplifies these information asymmetries. The minority shareholder alleged that they were systematically excluded from receiving financial reports, annual reports, and information about the company's debt obligations that formed the basis for the conversion. This exclusion prevented informed decision-making about whether to participate in the capital increase and whether to challenge the conversion through legal means. The court's finding that some information had been provided through GMS attendance does not address the broader pattern of information control that enabled the dilutive transaction.

Lawsuit filing procedures present additional barriers that effectively deter minority shareholders from pursuing legal remedies even when their rights have been clearly violated. Litigation processes are expensive, time-consuming, and require sophisticated legal expertise that many minority shareholders cannot afford or access. The lengthy duration of commercial litigation in Indonesia, often extending several years, creates additional challenges for minority shareholders who may face further dilution or other corporate actions while their cases proceed through the court system. These practical barriers mean that many minority shareholders rationally choose not to exercise their legal rights even when majority decisions clearly harm their interests.

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Structural constraints within Indonesia's corporate governance system create additional challenges for minority protection that extend beyond individual legal remedies. The limited role of the Financial Services Authority (OJK) in handling internal company disputes means that regulatory oversight focuses primarily on disclosure and procedural compliance rather than substantive fairness in corporate decision-making.<sup>30</sup> Additionally, implementing regulations related to minority shareholder protection remains minimal, creating interpretation gaps biased toward majority shareholders' interests. Indonesian

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<sup>30</sup> Otoritas Jasa Keuangan, *Buku Saku Otoritas Jasa Keuangan: Edisi Ke-2*, ed. Ph.D. Muliawan D. Hadad (Jakarta: Otoritas Jasa Keuangan, 2015).

business culture is dominated by the majority of controlling shareholders, often marginalizing minority interests, with imbalanced power relationships causing strategic decisions to ignore minority concerns.

Certain corporate decisions can cause share dilution, allowing majority shareholders to abuse their power. In reality, the majority shareholders often utilize their domination in GMS to approve policies benefiting them, such as new share issuance, without considering minority shareholders' interests.<sup>31</sup> This situation creates risks of violating fairness principles in corporate law because legally made GMS decisions can cause losses for minorities without effective remedial mechanisms. The implications extend beyond individual cases to broader corporate governance principles. Share dilution cases highlight the tension between majority rule and minority protection in corporate decision-making. While the majority shareholders should have the authority to make strategic business decisions, this authority must be exercised within bounds that protect minority interests and maintain corporate governance integrity.

Based on this analysis, comprehensive reforms are necessary to address the systematic disadvantages faced by minority shareholders in share dilution cases. One critical recommendation is the mandatory requirement for independent fairness opinions in transactions that may result in significant dilution of minority interests. Such opinions, prepared by qualified financial experts independent of the company and majority shareholders, would provide an objective assessment of whether proposed transactions serve legitimate business purposes and treat all shareholders fairly.

Additionally, Indonesia should consider implementing enhanced minority veto rights for specific categories of dilutive transactions. This could include requiring supermajority approval (beyond simple majority vote) for transactions that result in dilution exceeding certain thresholds, thereby ensuring that minority shareholders retain meaningful influence over decisions that fundamentally affect their interests. The implementation of class voting mechanisms, where minority shareholders vote separately from majority shareholders on dilutive transactions, could provide additional protection against majority abuse.

Strengthening information rights represents another critical reform area. Minority shareholders should receive timely, comprehensive information about proposed transactions well in advance of GMS meetings, including detailed financial projections, alternative transaction structures considered, and explicit analysis of dilutive effects. This information should be provided in accessible formats with sufficient time for minority shareholders to seek independent advice and make informed decisions about their participation. Finally, the establishment of specialized commercial courts with expertise in corporate governance

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<sup>31</sup> Theresia N A Nawardan et al., "Perlindungan Hak Pemegang Saham Minoritas Dalam Perseroan Terbatas: Analisis Terhadap Implementasi Ketentuan UU Perseroan Terbatas Dalam Keadilan Dan Kepastian Hukum Di Lingkungan Bisnis Modern," *JIHHP: Jurnal Ilmu Hukum, Humaniora Dan Politik* 5, no. 4 (2025): 3674–86, <https://doi.org/10.38035/jihhp.v5i4>.

disputes could improve the quality of judicial decision-making in share dilution cases. These courts should be empowered to examine both procedural compliance and substantive fairness, with authority to order appropriate remedies, including transaction modification, compensation, or share buyback requirements, when majority conduct is found to be oppressive to minority interests.

#### 4. CONCLUSION

This study concludes that amendments to the articles of association in limited liability companies, while legally valid under existing procedural laws, often result in substantive harm to minority shareholders through share dilution. These corporate actions reduce minority ownership and voting power and may marginalize their role in corporate governance. Although Indonesian Company Law (Law No. 40 of 2007) provides formal protection through mechanisms such as voting rights, pre-emptive rights, and judicial remedies, the enforcement of these rights remains weak and often inaccessible in practice. As such, the study emphasizes the need to shift from purely formal protections to more substantive safeguards that reflect the principles of fairness and equity. The research recommends concrete measures such as strengthening the enforceability of pre-emptive rights, introducing minority veto rights for decisions involving dilutive share issuances, improving shareholder access to corporate information, and institutionalizing alternative dispute resolution mechanisms that are more cost-effective and accessible than litigation. These reforms would ensure a more balanced relationship between majority and minority shareholders, fostering both corporate efficiency and justice. The study contributes to the academic discourse by offering a nuanced legal perspective on the intersection of shareholder protection and corporate governance in Indonesia and underscores the urgency of reforming corporate law to uphold the rights of minority investors.

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