

# Implementation of the Job Creation Law in the Establishment of Limited Liability Companies in Indonesia: Challenges and Opportunities

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Article Info	ABSTRACT
<p><b>Corresponding Author:</b> Radea Respati Paramudhita Email: <a href="mailto:radea.respati@widyatama.ac.id">radea.respati@widyatama.ac.id</a></p>	<p>This study examines the implementation of Law Number 11 of 2020 concerning Job Creation in the process of establishing Limited Liability Companies (PT) in Indonesia, focusing on the challenges and opportunities faced by business actors and related institutions. This research uses a qualitative approach with descriptive methods, through legal document analysis, literature review, and in-depth interviews with notaries, entrepreneurs, and business law experts. The results indicate that the implementation of the Job Creation Law in the formation of Limited Liability Companies in Indonesia has had a positive impact in the form of increased efficiency, convenience, and acceleration of the business entity establishment process through the Online Single Submission (OSS) system and the elimination of minimum capital requirements. These reforms open up significant opportunities for Micro, Small, and Medium Enterprises (MSMEs) to independently obtain legal entity status through the Sole Proprietorship scheme. However, this study also identified several challenges, such as the potential for mixing personal and company assets, limited ability to prepare financial reports, and regulatory confusion regarding the implementation of General Meetings of Shareholders (GMS). Thus, although the Job Creation Law has succeeded in creating a more conducive investment climate, its effective implementation still requires regulatory adjustments and ongoing guidance to ensure that the principle of ease of doing business is aligned with legal certainty and protection.</p> <p><b>Keywords:</b> Job Creation Law, Limited Liability Companies, challenges, opportunities, business regulations.</p>

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## INTRODUCTION

The Indonesian economy continues to grow in line with the growing need for a conducive investment climate. One important factor in economic growth is the ease with which businesses can establish and develop business entities, particularly Limited Liability Companies (PT) (Sinaga, 2018). PTs have become a popular legal entity form because they provide legal certainty, protection for owners, and flexibility in capital management and ownership. However, prior to the enactment of Law Number 11 of 2020 concerning Job Creation, the process of establishing a PT in Indonesia was considered quite complex, bureaucratic, and time-consuming (Harahapdkk, 2021).

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The Job Creation Law was introduced as one of the government's efforts to simplify investment regulations and improve the ease of doing business (Athina et al., 2022). One of the main focuses of this law is changes to the establishment and operation of PTs, including reducing administrative requirements, digitizing registration, and simplifying business licensing. The primary goal of these reforms is to encourage investment, accelerate business growth, and create a more efficient and transparent business ecosystem in Indonesia (Sekarasih et al., 2023).

In practice, the Limited Liability Company (PT) is the most popular form of business entity compared to other forms of company. This preference is driven not only by economic considerations but also by the various advantages of PTs (Kasih, 2022). Legally, PTs have legal status, providing certainty and legal protection for owners and third parties. Furthermore, the concept of company assets being separate from the personal assets of the owners, as well as the limited liability of shareholders, are key attractions for individuals and groups seeking to operate businesses with more controlled financial risk (Kasih, 2022).

However, although Law Number 40 of 2007 concerning Limited Liability Companies has been in effect for approximately fourteen years, this regulation faces various challenges and limitations in adapting to the dynamics of modern business (Budiono, 2012). Technological developments, changing investment patterns, and increasingly complex contemporary business needs demand greater regulatory flexibility. Several provisions in the PT Law are considered rigid and less adaptable to the needs of business actors, creating a gap between business practices in the field and existing legal provisions (Adriadi et al., 2021).

As Poltaris stated, creating a perfect law is impossible, so revisions and improvements are inevitable. This is one of the reasons behind the enactment of the Job Creation Law, which amends several provisions of the Limited Liability Company Law to improve the ease of doing business and investing in Indonesia (Aziz & Febriananingsih, 2020). This new law is expected to accommodate the needs of modern businesses, simplify PT establishment procedures, and provide clearer legal certainty for business actors. Thus, the implementation of PT within the context of the updated regulations will be more relevant and adaptive to economic challenges and evolving investment opportunities (Putri & Tan, 2022).

Although the Job Creation Law offers new conveniences and opportunities for businesses, its implementation is not without challenges. Several issues have arisen related to adapting to new regulations, interpreting certain articles, and limited public and business actors, particularly MSMEs, understanding the procedures and benefits stipulated in this law. These conditions can impact the law's effectiveness in optimally facilitating the formation of PTs (Widyari, 2024).

Opposition to the Job Creation Law has emerged from various groups because it is perceived to provide greater benefits to large companies and foreign investors than to local businesses or MSMEs (Kencanawati et al., 2025). Critics argue that several provisions in the law tend to simplify the licensing process and reduce administrative obligations for large corporations, thus giving the impression that the interests of small communities or the domestic workforce are being neglected (Djauzie, 2024).

Furthermore, the potential dominance of foreign capital in strategic sectors raises concerns about the sustainability of local businesses and economic equity (Agastya, 2025). This situation has prompted public debate, demonstrations, and legal advocacy, demonstrating that while the Job Creation Law aims to increase investment and ease of doing

business, its implementation must be balanced with protection of national interests, local business actors, and the Indonesian workforce (Kartikasari & Fauzi, 2021).

This study aims to analyze the implementation of the Job Creation Law in the establishment of PTs in Indonesia, identify the challenges faced by business actors, and explore potential opportunities. Therefore, this research is expected to contribute academically to the development of business law studies and serve as a practical reference for notaries, business actors, and policymakers. The results of this study are expected to provide both theoretical and practical benefits. Theoretically, this research can enrich the business law literature, particularly regarding the implementation of the Job Creation Law. Practically, this research can serve as a reference for business actors in understanding the procedures for establishing PTs, as well as assist notaries and authorities in adapting administrative practices to the latest regulations.

## METHOD

This research is a normative legal research or doctrinal study that focuses on policy analysis using a conceptual approach and a statutory-judicial approach (Soekanto, 2007). The conceptual approach is used to provide an analytical perspective on resolving legal problems based on the concepts, principles, and values contained in applicable norms or regulations. This approach enables researchers to understand the philosophical basis and normative objectives of a policy or regulation, thereby assessing the relevance, consistency, and effectiveness of legal rules in the context of the problem being studied.

Meanwhile, the statutory-legal approach emphasizes the analysis of legal texts that directly regulate the issue being studied. Researchers examine each relevant regulation, both hierarchically and content-wise, to understand the legal framework governing the formation of Limited Liability Companies and the implementation of the Job Creation Law. The data used are sourced from library research in the form of primary legal materials such as statutory regulations, as well as secondary legal materials in the form of books, journals, scientific articles, and previous research results. All of the data was then analyzed using descriptive-qualitative methods, so that the research findings could be presented systematically, clearly and in detail according to the legal and policy context being studied.

## RESULT AND DISCUSSION

### Opportunities

#### 1. Simplified Establishment Process

One of the significant changes introduced by the Job Creation Law in the context of establishing a Limited Liability Company (PT) is the simplification of the company establishment process. Previously, establishing a PT in Indonesia was considered quite bureaucratic and time-consuming, particularly regarding administrative requirements, fees, and registration procedures. With the enactment of the Job Creation Law, PT establishment can be carried out more quickly and efficiently through the Online Single Submission (OSS) system, which allows the entire licensing and registration process to be conducted digitally. This approach not only minimizes administrative barriers but also increases transparency and accountability, as the entire process can be monitored in real time through the electronic system.

Furthermore, the Job Creation Law also removes the minimum capital requirement for establishing a PT, which had previously been a barrier for small and medium-sized businesses to establish a legal entity. By eliminating the minimum capital requirement, opportunities for MSMEs and start-up entrepreneurs to establish PTs are more open, thereby encouraging economic inclusion and broader participation in formal business activities. This step aligns with the regulatory objective of improving ease of doing business, accelerating investment, and creating a more dynamic and competitive business climate, without compromising legal certainty for PT owners and stakeholders.

## **2. Establishment of a PT by a Single Person**

One important innovation introduced by the Job Creation Law is the possibility of establishing a Limited Liability Company (PT) by a single person, known as a single-member PT. Previously, establishing a PT required a minimum of two shareholders, limiting access for individuals or small businesses to form a legal entity independently. With this provision, an entrepreneur can immediately establish a PT without having to seek additional partners or investors, thereby accelerating the business legalization process and providing legal certainty for sole proprietors.

This policy specifically opens up opportunities for micro, small, and medium enterprises (MSMEs) to enter the formal business realm. A sole proprietorship provides flexibility in managing capital, decisions, and company operations, while still providing legal protection for the owner regarding limited liability. Thus, this regulation is expected to encourage the growth of small businesses, increase community economic participation, and create a more inclusive and adaptive business ecosystem to the needs of individual entrepreneurs in Indonesia.

## **3. Improving the Investment Climate**

One of the main objectives of the Job Creation Law is to create a more conducive investment climate through legal reform, particularly through streamlining business licensing. With a faster and more integrated licensing process through the Online Single Submission (OSS) system, both domestic and foreign investors are expected to find it easier to start and expand their businesses in Indonesia. This streamlining process not only accelerates the establishment of a Limited Liability Company (PT) but also increases legal certainty and transparency, thereby reducing risks for business actors and providing a positive signal for investment growth across various economic sectors.

The improved investment climate through the Job Creation Law is also expected to create broader job opportunities. With the addition of new companies and the growth of existing ones, labor demand will increase, thereby absorbing more local workers. This aligns with the goal of sustainable national economic development, where easily accessible investment not only drives economic growth but also improves public welfare through increased job opportunities and more equitable economic distribution.

## **4. Protection of MSMEs**

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### **5. Governance Flexibility**

The Job Creation Law also provides greater flexibility in the governance of Limited Liability Companies (PT), allowing the company structure to adapt to the needs and dynamics of modern business. Previously, the 2007 PT Law stipulated a number of fairly rigid provisions regarding organizational structure, general meetings of shareholders, and decision-making, often hindering business actors in adapting company management to market changes. With this new flexibility, PTs can more easily undertake internal reorganizations, adjust their board of directors structures, and establish efficient decision-making mechanisms tailored to business needs.

This governance flexibility also enables companies to be more adaptive to rapid and complex economic developments, including technological change, global competition, and investor needs. With a more dynamic structure, PTs can respond more quickly to opportunities and challenges, increase competitiveness, and facilitate integration with business partners or investors. This, in turn, supports sustainable company growth and creates a more responsive, efficient, and innovative business environment in Indonesia.

## **Challenges**

### **1. Oversight and Transparency**

One of the challenges that arises in implementing the provisions regarding Sole Proprietorships in the Job Creation Law is the potential for commingling of the owner's personal assets with those of the company. In corporate law theory, the fundamental principle of a Limited Liability Company is the separation of assets between the owner and the legal entity. This separation forms the basis for the concept of limited liability, where shareholders are not personally liable for company debts exceeding the value of their shares. However, in a sole proprietorship with only one owner, the line between personal assets and company assets can potentially become blurred, especially if there is no strong internal oversight mechanism.

The absence of a supervisory body such as a board of commissioners, which typically plays a role in monitoring and balancing the policies of the board of directors in a conventional PT, increases the risk of commingling assets. In practice, sole proprietors tend to directly manage all of the company's financial activities without an adequate accountability system. This situation can create difficulties in distinguishing between personal and business transactions, thereby weakening the principle of corporate personality of the legal entity. This risk not only has legal implications but also accounting and tax implications, as commingling assets can create problems in a company's financial accountability.

If unaddressed, commingling assets can seriously impact the legal protection of company owners. In certain cases, the court can pierce the corporate veil if it is proven that

the owner has abused the legal entity status for personal gain. This means that the owner's personal liability is no longer limited, and their personal assets can be seized to meet the company's obligations. Therefore, although establishing a sole proprietorship offers convenience for small business owners, more detailed regulations regarding the mechanism for separating assets and a transparent financial reporting system are still needed to effectively maintain the principle of limited liability.

## **2. Potential commingling of assets**

One consequence of the introduction of the Sole Proprietorship concept in the Job Creation Law is the increased potential for commingling of the owner's personal assets with those of the company. In the basic principles of corporate law, the separation of assets is a crucial element that distinguishes a legal entity from its individual founders. This separation forms the basis for the concept of limited liability, whereby the owner is not liable for company obligations exceeding their invested capital. However, when there is only one owner and no oversight body such as a board of commissioners, the line between personal and corporate interests becomes more difficult to maintain. Consequently, there is a risk of misappropriation of company assets for personal gain, or vice versa, which can lead to legal and financial confusion.

The absence of an internal oversight mechanism also has the potential to undermine the principle of corporate personality of the legal entity. In practice, if this misappropriation of assets is proven, the sole proprietor of the sole proprietorship can lose limited liability protection and be held personally liable for all company obligations under the principle of piercing the corporate veil. Therefore, while establishing a sole proprietorship offers convenience and flexibility for small business owners, it still requires disciplined financial administration and additional regulations governing the strict separation of assets to maintain the legal integrity of the business entity.

## **3. Financial Reporting Obligations**

One of the key provisions governing Sole Proprietorships under the Job Creation Law and its derivative regulations is the obligation to prepare and submit periodic financial reports. This obligation is intended to maintain transparency and accountability, and serve as a basis for monitoring and evaluating the company's performance. Financial reports also serve as a legal accountability tool, demonstrating the separation of personal and corporate assets. Therefore, despite the simple structure of a sole proprietorship, the financial reporting obligation remains a crucial element in maintaining its legal status and preventing potential misuse.

However, in practice, this obligation often presents challenges, particularly for micro and small businesses, which generally lack accounting backgrounds or technical skills in preparing financial reports. Directors who are also sole owners of the company may struggle to understand basic accounting principles, prepare balance sheets, income statements, and record financial transactions in accordance with applicable standards. This can lead to inaccurate or incomplete financial reports, ultimately impacting the company's administrative validity and legal accountability.

Furthermore, limited resources and minimal technical assistance from the government increase the risk of non-compliance with financial reporting obligations. If this is not addressed, it can lead to legal and administrative issues, such as revocation of legal entity status or difficulty accessing financing from formal financial institutions. Therefore,

supporting policies in the form of training, simplified financial report formats, and easily accessible digital reporting systems are needed to ensure that sole proprietorship owners can properly fulfill their obligations. With these measures, financial reporting obligations will not only become a legal formality but also a means to strengthen transparent and sustainable corporate governance.

#### **4. Administrative Sanctions**

To ensure compliance with legal obligations, the Job Creation Law and its implementing regulations stipulate administrative sanctions for sole proprietorships that fail to fulfill their financial reporting obligations. This provision is intended to uphold the principles of accountability and transparency in the conduct of business activities, even if conducted by a single owner. The imposition of administrative sanctions is a preventive legal instrument aimed at ensuring that each company continues to carry out its administrative obligations in an orderly manner. Sanctions that can be imposed include written warnings, suspension of business activities, and even revocation of legal entity status if negligence persists.

Administrative sanctions also serve as an external oversight mechanism to ensure that each sole proprietorship continues to operate in accordance with applicable laws. In the context of corporate law, financial reports serve not only as accounting documents but also as a means of verifying the legal entity's continued existence. If reports are not submitted regularly, the legal entity's existence becomes unmonitored by authorities, such as the Ministry of Law and Human Rights. This situation can create legal uncertainty, particularly regarding the company's liability to third parties, and potentially open up opportunities for abuse of legal entity status for personal gain.

However, the implementation of administrative sanctions must be proportionate and accompanied by adequate development policies, particularly for micro and small businesses that are just adapting to digital reporting systems. A repressive approach without education can have the negative effect of reducing business interest in formally registering their businesses. Therefore, the government needs to balance law enforcement and administrative development through the provision of technical guidance, outreach, and constructive supervision. This way, the implementation of administrative sanctions can be effective as a means of law enforcement while supporting the creation of healthy, transparent, and sustainable corporate governance.

#### **5. Regulatory Confusion**

One of the challenges in implementing the Job Creation Law regarding the establishment of Sole Proprietorships (Public Companies) is regulatory confusion, particularly regarding the technical aspects of the organization of corporate organs. Article 13 of Government Regulation Number 8 of 2021 concerning Company Authorized Capital and Registration of the Establishment, Amendment, and Dissolution of Companies that Meet the Criteria for Micro and Small Enterprises stipulates that the General Meeting of Shareholders (GMS) mechanism for a sole proprietorship can be implemented differently than for a conventional PT. However, this provision still gives rise to varying interpretations, as in practice, a shareholder consists of only one person, while a GMS is, in principle, a collective forum involving more than one shareholder to make strategic company decisions.

This regulatory confusion results in unclear administrative and legal procedures in the implementation of corporate functions, such as the approval of annual reports, the appointment and dismissal of directors, and other important decision-making. In the context

of corporate law theory, organs such as the GMS, the board of directors, and the board of commissioners have complementary checks and balances. When a company consists of only one owner without a complete organizational structure, the concept of the GMS becomes more symbolic than substantive. This has the potential to weaken internal corporate accountability, especially if the documentation and reporting mechanisms for decisions made by the sole owner are not clearly regulated.

Furthermore, overlaps and inconsistencies between the Job Creation Law, the Limited Liability Company Law, and Government Regulation 8/2021 add to the complexity of implementation in the field. Business actors, notaries, and administrative officials often face difficulties in determining the correct procedures for establishing and managing a sole proprietorship in accordance with applicable law. This situation emphasizes the need for clearer harmonization of regulations and technical guidelines to ensure that the implementation of the Job Creation Law does not create legal uncertainty. This way, a policy initially intended to simplify bureaucracy will not create new ambiguities in business practices and legal administration in Indonesia.

## CONCLUSION

The implementation of the Job Creation Law has brought significant changes to the Limited Liability Company (PT) formation system in Indonesia. Through policies simplifying business licensing, eliminating minimum capital requirements, and digitizing the OSS system, the PT establishment process has become faster and more efficient. This step creates opportunities for increased investment, facilitates business operations, and encourages participation by Micro, Small, and Medium Enterprises (MSMEs) in the formal sector. However, on the other hand, several challenges have emerged in its implementation. The Sole Proprietorship concept, which allows one person to establish a PT, has the potential to raise legal issues, such as the mixing of personal and company assets due to the lack of a supervisory body. Furthermore, financial reporting obligations pose a barrier for business actors lacking adequate administrative and accounting skills. Non-compliance with these provisions can result in administrative sanctions, including revocation of legal entity status. In addition to technical issues, regulatory uncertainty remains in the implementation of the Job Creation Law and its derivative regulations, such as the GMS mechanism for sole proprietorships. Therefore, harmonization of regulations and mentoring for business actors are needed to ensure this policy is truly effective. Overall, the Job Creation Law provides significant opportunities for economic growth and ease of investment, but its success depends heavily on regulatory clarity, government guidance, and business actors' compliance with good governance principles.

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