

Governance and Accountability Crisis of State-Owned Enterprise Issuers: A Case Study of PT Indofarma Tbk (INAF.IJ) Within the Framework of Capital Market Law and Anti-Corruption Enforcement

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ABSTRACT

This paper analyzes the governance and accountability crisis of PT Indofarma Tbk (INAF), a State-Owned Enterprise (SOE) listed on the Indonesia Stock Exchange, in the perspective of capital market law, limited liability company law, and law on the eradication of corruption. This research departs from the deterioration of INAF's financial performance from 2020 to 2022, the change in auditor opinion to reasonable with exceptions, the findings of the investigative audit by the Financial Audit Agency which indicate state losses, and the process of enforcing criminal corruption law against the company's management. Using a normative juridical approach and case study, this paper examines the relationship between violations of information disclosure obligations, weak internal control, failure to supervise company organs, and the criminal liability of the SOE's Board of Directors. The results of the study show that the INAF case is not solely a business failure but a manifestation of systemic violations of the principles of fiduciary duty, transparency, and accountability of public issuers. Furthermore, this study confirms a shift in the paradigm of Indonesian capital market law enforcement from an administrative compliance approach to an investigative audit-based law enforcement approach and economic criminal law. This paper concludes that public SOE governance reform requires stronger synergy between capital market regulators, law enforcement officials, and internal corporate oversight mechanisms to protect investors' interests and maintain the integrity of Indonesia's capital market.

Keywords: corporate governance; SOEs; information disclosure; capital market; corruption; fiduciary duty.

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INTRODUCTION

PT Indofarma Tbk (INAF.IJ), as one of the State-Owned Enterprises (SOEs) listed on the Indonesia Stock Exchange, has a fundamental obligation to ensure information disclosure and financial accountability. In recent years, Indofarma's financial condition has shown a significant decline, ranging from changes in auditors' opinions to reasonable with exceptions to the findings of the Audit Board (BPK), which indicate the potential for large state losses. This condition reflects not only administrative and technical errors but also the weakening of state corporate governance, which should serve as a role model for other public entities (Ararat et al., 2017; Bhagat & Bolton, 2019; Claessens & Yurtoglu, 2013; Carcello et al., 2020).

The Indofarma case reveals systemic failures in financial management, weak internal controls, and delays in disclosing material information to the public and investors (Badan Pemeriksa Keuangan Republik Indonesia, 2023; Bursa Efek Indonesia, 2023, 2024). The impact extends beyond the company's financial losses to affect public trust, capital market stability, and the credibility of SOEs as managers of public funds and state assets. This situation is becoming increasingly crucial because it has direct implications for investor protection and the integrity of the Indonesian capital market (Claessens & Yurtoglu, 2013; Bruton et al., 2015; Estrin et al., 2016).

The urgency of this research lies in the fact that the governance crisis at Indofarma is not an isolated case but reflects potential structural problems in supervision, regulatory compliance, and law enforcement effectiveness in the public SOE sector. The lack of

synchronization between the capital market legal framework, limited liability company law, and the corruption eradication regime reveals a normative and implementative gap that must be addressed immediately to prevent similar cases from recurring (Armstrong et al., 2010; Barth et al., 2017; Christensen et al., 2016; Ernstberger et al., 2017).

In addition, the dynamics of law enforcement against Indofarma show a shift in approach from mere administrative compliance to enforcement based on investigative audits and corruption crimes (DeFond & Zhang, 2014; Hay et al., 2017; Carcello et al., 2020). This paradigm shift marks a new chapter in open SOE governance and demands the strengthening of an integrated supervisory system among the OJK, IDX, BPK, law enforcement officials, and the company's internal governance mechanisms. This further strengthens the novelty of this research.

The novelty of this research lies in an integrative approach that not only analyzes Indofarma from the perspective of corporate and capital market violations but also relates it to aspects of criminal liability, fiduciary duty violations, and the concept of accountability in state financial management in public SOEs. This research offers a new understanding that financial statements and information disclosure of public SOEs are not merely corporate documents but also public legal documents with serious juridical consequences.

Based on this context, the purpose of this research is to analyze the root causes of Indofarma's governance and accountability crisis, examine the consistency of the legal framework regulating public SOEs, evaluate the effectiveness of capital market law enforcement and anti-corruption measures, and explain their implications for investor protection and capital market stability. This research also aims to identify an ideal supervisory synergy model among financial regulators, capital market authorities, state auditors, and law enforcement officials.

The benefits of this research are expected to theoretically enrich the development of capital market law, limited liability company law, and state financial law, particularly regarding the governance of listed SOEs and the limits of accountability for directors and commissioners. Practically, this study provides policy recommendations for the government, OJK, IDX, BPK, and SOE management to strengthen the supervisory system, enhance the effectiveness of information disclosure, and build mechanisms to prevent future governance crises. Thus, this research serves not only as an academic analysis but also as a strategic contribution to promoting SOE governance reform, strengthening investor protection, improving capital market integrity, and ensuring that the management of state finances and assets adheres to the principles of transparency, accountability, and the rule of law.

METHOD

This study employed a normative legal research design strengthened by case studies (normative case-based legal research). This design was chosen because the main purpose of the research was not to test statistical hypotheses but to evaluate the consistency between legal norms, governance practices, and law enforcement implications in the case of PT Indofarma Tbk as a state-owned issuer. The case study deepened the normative analysis of a concrete event with systemic implications for the Indonesian capital market.

The unit of analysis was legal events related to the governance, information disclosure, and legal accountability of INAF during the period 2019–2025. This study did not use statistical

sampling techniques but rather purposive legal sampling, which involved selecting legal data directly relevant to the case, including audited financial statements, BPK investigative audit reports, OJK and IDX regulations, and related corruption and commercial criminal court decisions.

Data collection was conducted through documentation and literature studies, encompassing primary legal materials (laws and regulations, POJK, IDX Regulations, and court decisions), secondary legal materials (legal literature, academic journals, BPK reports, audited financial statements, and official regulator publications), and tertiary legal materials for support. No interviews or surveys were conducted because the research focused on evaluating norms and written legal documents.

Data analysis was performed using a normative qualitative method, with the following stages: (1) classification of relevant legal norms; (2) analysis of conformity between norms and legal facts; (3) legal interpretation via grammatical, systematic, and teleological approaches; and (4) deductive conclusions. In this context, financial statements and capital market data were not subjected to statistical inferential analysis but served as supporting evidence to demonstrate the concrete impact of governance violations on company value and investor protection.

To enhance the validity of the analysis, this study applied triangulation of legal sources by comparing BPK audit findings, capital market regulatory sanctions, and criminal court decisions. This approach ensured that conclusions did not rely on a single institutional perspective but reflected the interconnectedness of administrative law, corporate law, and economic criminal law.

RESULTS AND DISCUSSION

The results of the study show that the INAF case is an accumulation of internal governance failures and delays in external supervision, which is reflected in three main findings: (1) systemic violations of information disclosure obligations; (2) failure of internal control and supervision of the Commissioner; and (3) the escalation of violations from the administrative realm of the capital market to the criminal realm of corruption. Financially, the decline in INAF's performance is structural and sustainable, as shown in Table 1.

Table 1. Summary of Financial Performance of PT Indofarma Tbk (2019–2022)

Year	Net Profit / Loss	Auditor's Opinion
2019	+IDR 7.7 billion	Reasonable
2020	+IDR 27 million	Reasonable
2021	-IDR 37.5 billion	Reasonable
2022	-IDR 428 billion	Reasonable with Exceptions

The data shows that changes in auditors' opinions are not just a technical phenomenon, but a significant indicator of internal control system failure. The INAF case is a combination of business failure, mismanagement, violation of the principle of information disclosure and potential for corruption. The decline in INAF's financial performance was influenced by the consolidation of negative financial statements of its subsidiary, PT Indofarma Global Media (IGM), which is tasked with distributing and selling Indofarma's drug products.

Although IGM received full payments from consumers and third parties, the sales proceeds of Rp 470 billion were not paid to INAF, affecting the Company's financial performance. In addition, from the aspect of industrial relations, there was internal turmoil due to the delay in the payment of employee salaries since 2023 and forced INAF to ask for operational funding assistance from PT Bio Farma (Persero) as the parent company.

The Audit Board (BPK) conducted an investigative audit in 2023 on INAF's performance as part of supervision to ensure accountability in state financial management by SOEs. BPK found irregularities in the management and recording of revenue, expenses and investments carried out by the Company and its subsidiaries from the period 2020 to the first semester of 2023 with potential state losses of IDR 371.8 billion (*Financial Audit Agency, 2023*). The report on the results of the BPK investigation was then submitted to the Attorney General of the Republic of Indonesia for further processing on alleged irregularities that indicated criminal acts of corruption and significant state losses (Arlen, 2012; Henning, 2015; Davies & Worthington, 2016).

The Jakarta High Prosecutor's Office named several suspects, including the former President Director of INAF for the 2019-2023 period, the Director of IGM for the 2020-2023 period and the financial officer of PT IGM for the 2019-2021 period for violations of Article 2, Article 3 and Article 18 of Law number 31 of 1999 Jo. Law number 20 of 2001 concerning the Eradication of Corruption Crimes (Corruption Law) in connection with the alleged manipulation of financial statements and transactions that caused state losses.

The judicial process led to a 10-year prison sentence against the former President Director of INAF who then appealed but received an additional heavier sentence of 13 years (*Jakarta High Prosecutor's Office, 2024*). The Central Jakarta Commercial Court also stated that IGM was in bankruptcy so that it had an impact on INAF's consolidated report due to the profession of receivables that could not be collected (*Central Jakarta Commercial Court, 2024*).

INAF's low financial performance influenced INAF's stock movements, decreasing by 88% from IDR 1,130 per share in July 2022 to IDR 126 per share in June 2024. In terms of stock exchange compliance, the IDX noted that INAF was late in paying the annual listing fee so that it was suspended in February 2024. After being briefly opened, trading was stopped again in July 2024 because the financial statements showed negative equity that had an impact on its sustainability issues. Until November 2025, the pension has not been revoked so that the Company's shares remain stagnant and included in the list of companies with the potential for delisting (*Indonesia Stock Exchange, 2025*).

The above facts show that there is a relationship between the actions of the Company's individual management and the weak internal control system and external supervision. The BPK report and the steps taken by the Prosecutor's Office show that the INAF case is not only a business failure, but contains elements of violation of public law and capital market administration.

Impact on Capital Market Governance and Investor Protection

As an issuer, INAF is subject to Law no. 8 of 1995 concerning the Capital Market (Capital Market Law), especially several key articles, including: 1) Articles 86-91 require issuers to submit annual financial statements and material information to the public in a timely manner. 2) Articles 100-102 authorize Bapepam/OJK to impose administrative sanctions for violations of disclosure obligations, including freezing business activities, fines, or *delisting*

recommendations. 3) Article 104 of the Law regulates criminal sanctions for submitting false or misleading statements that may affect the price of securities on the exchange.

INAF's failure to provide timely information regarding financial conditions can be interpreted as a violation of the obligation to disclose material information. In addition, unreasonable financial statements based on BPK's findings show potential violations of article 104 of Capital Market Law. OJK issues

OJK Regulation no. 31/POJK.04/2015 concerning Disclosure of Information on Material Facts by Issuers or Public Companies (POJK 31/2015) and OJK Regulation no. 29/POJK.04/2016 concerning Issuers' Annual Reports (POJK 29/2016). The two POJKs emphasized that any event that affects the price of securities must be disclosed no later than two working days after they occur. Facts such as the bankruptcy of IGM and the findings of the BPK were only carried out after public findings showed a violation of the principle of transparency on information disclosure.

IDX Regulation number I-N concerning Delisting and Relisting stipulates that shares can be removed from the Exchange if they experience deteriorating financial conditions and/or are suspended for at least 24 months. Regulation number I-H concerning Sanctions that regulates companies that do not pay the annual listing fee can be suspended. Article III.3.1 I-N states that shares can be declared delisted if the Company is recorded to have a material negative impact on business continuity or the suspension lasts more than 24 months.

Article III.5.3 authorizes the IDX to delist for investor protection considerations. The suspension of INAF for 16 months from February 2024 to November 2025 occurred due to the Company's administrative failure in paying annual fees and the failure to implement governance which affected the Company's going concern, especially the financial condition which continues to deteriorate so that it has the potential for delisting.

From a capital market perspective, the study found a strong correlation between the findings of governance violations and the decline in the value of shares and trading suspensions. INAF's share price has declined by about 88% in two years, which suggests that the failure of information disclosure has a direct impact on investor confidence.

The protracted suspension also reflects the limitations of the early warning system mechanism in the Indonesian capital market. Administrative sanctions are only applied after significant damage to the company's value has occurred, so investor protection is reactive, not preventive.

Findings of Investigative Audit and Law Enforcement Process

The results of the study further show that the Audit Board's investigative audit in 2023 found irregularities in the management and recording of income, expenses, and investments made by PT Indofarma Tbk and its subsidiary, PT Indofarma Global Medika. The irregularities occurred in the period from 2020 to the first semester of 2023 and had the potential to cause state losses of Rp 371.8 billion.

Law number 40 of 2007 concerning Limited Liability Companies (PT Law) provides a framework for the responsibility of the Board of Directors and Commissioners, especially Article 97 paragraph (3) states that the Board of Directors is obliged to carry out their duties in good faith and full of responsibility, Article 97 paragraph (5) states that the Board of Directors is personally responsible if the Company's losses are caused by their negligence or mistake,

and Article 98 paragraph (1) emphasizes that the commissioners are obliged to carry out supervision and can be requested liability if negligent.

In the case of INAF, the Board of Directors for the 2019-2023 period is suspected of abusing authority and ignoring the principle of fiduciary duty, namely the obligation to put the interests of the Company above the interests of individuals or other parties. The Commissioner's ineffective supervision of the Subsidiary's transactions exacerbates the situation and reinforces allegations of systemic and structural negligence.

The findings of the BPK and the determination of suspects by the Jakarta District Attorney's Office show indications of violations of Article 2 and Article 3 of Law no. 31 of 1999 jo. Law No. 20 of 2001 concerning the Eradication of Corruption. Article 2 regulates unlawful acts that harm state finances and Article 3 regulate the abuse of authority by civil servants or state administrators. Because INAF is a state-owned company, its Board of Directors is a state administrator who can be held criminally liable. The decision of the Panel of Judges of the Central Jakarta Corruption Court (Tipikor) in June 2025 sentenced the former President Director of INAF to 10 years in prison as an element of unlawful acts and proven state losses.

This research shows that the INAF case marks an important shift in capital market law enforcement, from an administrative approach to criminal enforcement when governance violations have an impact on state finances. This confirms that the financial statements of SOE issuers are not only corporate documents, but also public legal documents that can give rise to criminal liability (Asquith et al., 2013; Chen et al., 2020).

Comparative Case Perspective

The results of the study also show that the pattern of violations that occurred in the INAF case has similar characteristics with the cases of previous SOE issuers, such as PT Kimia Farma Tbk (KAEF) and PT Perusahaan Gas Negara Tbk (PGAS). The equation lies in the delay or incompleteness of disclosure of material information that has an impact on stock prices and investor confidence.

Kimia Farma receives criminal sanctions and administrative fines without leading to corruption, so it is different from INAF where the element of corruption is stronger because it involves evidence of enriching oneself or others. The case of PT Perusahaan Gas Negara, Tbk (PGAS) in 2006-2007 is another example of a violation of the principle of information disclosure related to the submission of information related to the delay of critical projects that can cause a potential decrease in the Company's profits to the public.

Although there is no element of corruption, the PGAS case shows how late disclosure of information can reduce investor confidence and cause a decline in stock prices by up to 25%. In addition, some management and workers were subject to insider trading sanctions in the form of fines for using the information in PGAS stock transactions for personal gain before an official announcement to the public.

However, the results of the study confirm that the INAF case has more complex characteristics because it does not stop capital market administrative violations, but develops into a corruption criminal case. This difference shows an escalation of legal risks when governance violations are accompanied by abuse of authority and state financial losses.

Doctrinally, there is a paradigm shift from a self-regulatory approach to an enforcement-based approach. This means that if previously regulators emphasized more on voluntary compliance and periodic reports, now law enforcement has become more repressive and based on the results of investigative audits (BPK and OJK). This is important to ensure that the capital market functions not only as a means of raising funds, but also as an instrument of accountability for the management of public funds.

CONCLUSION

This study concludes that the INAF case represents a systemic, multidimensional failure of public company governance, evidenced by serious violations of information disclosure principles, fiduciary duties of the Board of Directors and Commissioners, and state financial accountability in listed SOEs, substantiated through capital market sanctions and binding corruption verdicts. The findings reveal the limited effectiveness of Indonesia's capital market legal framework in early prevention, with sectoral supervision among OJK, IDX, and BPK enabling significant losses to company value and investor interests before interventions occur, thus necessitating urgent risk-based supervision and early investigative audits. For future research, a comparative evaluation of Indonesia's capital market early warning systems could build on these insights, identifying best practices to proactively mitigate governance risks in SOEs and enhance market integrity.

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