# LEGAL PROTECTION OF MINORITY SHAREHOLDERS INTERESTS IN MERGER ACTIONS

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**Abstract**

The Limited Liability Company, as regulated under Law Number 40 of 2007, operates as a capital partnership, distinguishing it from other business entities that emphasize personal relationships. This legal framework has made limited liability companies attractive to investors, particularly through strategic actions like mergers, which aim to enhance capital structure, competitiveness, and operational efficiency in a dynamic global economy. However, mergers often raise concerns about the protection of minority shareholders, who face potential marginalization due to the dominance of majority shareholders in decision-making processes. This study evaluates the effectiveness of legal protections for minority shareholders in merger actions under the Company Law, identifies gaps in implementation, and proposes policy recommendations to ensure equitable governance. Employing a normative legal research method, the study analyzes primary legal materials (legislation), secondary materials (scholarly literature), and tertiary sources (legal dictionaries). Findings reveal that while the Company Law provides preventive and repressive protections, such as the right to sell shares at a fair price (Article 62) and mandatory general meeting approvals, practical implementation often fails to address power imbalances. Minority shareholders frequently lack influence, and mechanisms like fair price determination are susceptible to manipulation. The study concludes that stronger oversight, enhanced transparency, and stricter enforcement are essential to safeguard minority shareholders' rights, ensuring mergers align with principles of fairness and good corporate governance.

**Keywords:** Limited Liability Company, merger, minority shareholders, legal protection

## INTRODUCTION

A Limited Liability Company is essentially a form of business entity based on the principle of capital partnership rather than personal partnership. This fundamentally distinguishes it from other forms of business entities such as civil partnerships, firms, and limited partnerships, which place greater emphasis on the personal relationships among their founders or partners. In a limited liability company, the primary focus is on the capital contributions made by shareholders, while the personal identities of the capital owners have no direct impact on the continuity or existence of the legal entity (Rastuti, 2015). According to Law Number 40 of 2007 concerning Limited Liability Company ("Company Law"), a limited liability company, hereinafter referred to as the company, is a legal entity that constitutes a capital partnership, established based on an agreement, conducts business activities with an authorized capital entirely divided into shares, and fulfills the requirements stipulated in this law and its implementing regulations.

Limited liability company serves as a magnet for investors or capital holders seeking to allocate their funds. In recent years, limited liability companies have increasingly attracted the attention of business actors, driven by the evolving roles and rights of such entities within the dynamics of the global economy across various countries. This phenomenon reflects the appeal of limited liability companies as business entities capable of adapting to market demands and economic regulations. However, to ensure operational sustainability and business growth, limited liability companies are required to be strategic in identifying and optimizing sources of capital. One commonly pursued strategy is through business consolidation, more widely known as a merger. This approach aims not only to strengthen the capital structure but also to enhance competitiveness and operational efficiency in the face of increasingly intense market competition (A. L. Siregar et al., 2013).

According to Black's Law Dictionary, the term merger is defined as the process of combining or absorbing one entity or right into another, which generally occurs when one entity is considered to have a lower status or value compared to the other (Black, 1989). In this context, the entity deemed less significant will entirely lose its independent existence. This definition illustrates the hierarchical dynamics within a merger, where the more dominant entity absorbs the identity, assets, or rights of the weaker one, thereby creating a new unified entity. This process not only reflects a business strategy for consolidation but also entails complex legal, economic, and operational implications, particularly concerning the dissolution of the absorbed entity's independent identity. A merger is not merely a technical procedure; it is a strategic move to strengthen market dominance, efficiency, innovation, global competitiveness, and the management of resources and supply chains. Healthy companies operating in similar sectors and sharing a common vision often choose to merge in pursuit of competitive advantage. However, the success of such a strategy depends on rigorous planning to address integration risks and structural conflicts, in order to achieve tangible added value (Rumokoy, 2011).

The implementation of a merger involves various parties with significant interests in the dynamics of a limited liability company, including employees, consumers, local communities, the broader economy, and especially shareholders. Shareholders, as investors who contribute capital, hold ownership rights proportional to the number of shares they possess, making them key actors in strategic decision-making. Within the legal framework, Company Law affirms that the general meeting of shareholders is the highest governing body of a limited liability company, holding the ultimate authority in determining the company's direction, including decisions regarding mergers. This central role of the general meeting of shareholders reflects power that is not only formal but also strategic, where financial interests and the company's long-term vision are at stake (Rastuti, 2015). However, a merger is not solely about shareholder gains, its impact on employees, local economic stability, and consumer trust often gives rise to complex tensions among competing interests. It can be stated that the success of a merger requires a balance between shareholder priorities and corporate social responsibility, supported by meticulous planning to minimize the risks of conflicts of interest (Black, 1989).

Shareholders play a significant role in determining the policies of a limited liability company through the general meeting of shareholders, whose decisions are binding on all stakeholders, provided they are in accordance with Company Law and the company's objectives (Sitorus, 2019). However, decisions that violate the law or the company's mission can trigger legal and ethical conflicts. Therefore, the general meeting of shareholders reflects a power dynamic that requires shareholders to balance financial gain with legal and social responsibilities in the interest of sustainable governance. Under the Company Law, shareholders' liability in a limited liability company is limited to the value of the shares they own. While this principle protects them from financial risk, it has been subject to criticism for potentially encouraging speculation and neglecting negative impacts on employees, consumers, or the environment. This limitation underscores the need for strict oversight and legal compliance to prevent abuses that could harm stakeholders.

In the merger process, vulnerable parties, particularly minority shareholders, must be guaranteed legal protection to ensure that their rights are not disregarded. The shareholding structure in a limited liability company creates a dichotomy between majority and minority shareholders, where, in theory, both parties possess equal rights, including voting rights (Wardani et al., 2025). However, in practice, the larger the shareholding portion, the more dominant one's influence becomes in determining the company's policy direction, especially in strategic decisions such as mergers. This imbalance often places minority shareholders in a vulnerable position, exposing them to decisions that may be detrimental, such as the marginalization of their rights or the neglect of their interests. A merger carried out without the consent of minority shareholders can trigger legal disputes and potentially lead to litigation. To address this issue, the Company Law provides a legal foundation for protection, particularly through Article 62 paragraph (1), which grants minority shareholders who oppose a merger the right to demand that their shares be purchased at a fair price. Nevertheless, the effectiveness of this protection is frequently questioned, as the determination of a "fair price" is susceptible to manipulation or conflicts of interest. This indicates that the existing legal framework has yet to fully address the complexities of power imbalances in merger situations. Therefore, it is essential to strengthen oversight mechanisms and enhance transparency to ensure justice for minority shareholders, while simultaneously promoting a more inclusive model of corporate governance (Rudhi Prasetya, 2014).

In 2024, several high-profile cases underscored the vulnerabilities of minority shareholders in merger processes. For instance, the merger between two prominent Indonesian publicly listed companies in the telecommunications sector sparked controversy when minority shareholders filed lawsuits, alleging inadequate disclosure and unfair share valuation. Another case involved a manufacturing company where minority shareholders challenged a merger approved without their consent, citing violations of Article 62 paragraph (1) of the Company Law, which grants them the right to demand share buybacks at a fair price. These cases highlight persistent gaps in the implementation of legal protections, such as the susceptibility of "fair price" determinations to manipulation and insufficient oversight, which motivated the selection of this research title, "Legal Protection of the Interests of Minority Shareholders in Merger Actions Based on Law Number 40 of 2007 Concerning Limited Liability Companies." This study aims to evaluate the effectiveness of existing legal norms, identify implementation challenges, and propose reforms to ensure equitable treatment of minority shareholders in mergers (Saputra & Budiharto, 2016).

In the shareholding system of a legal entity in the form of a limited liability company, the decision-making structure is generally determined by the principle of proportionality, whereby a shareholder's voting power is based on the number of shares they own. This results in minority shareholders being structurally weaker and vulnerable to domination by majority shareholders. Often, this imbalance creates the potential for abuse of power in making critical decisions, including strategic corporate actions such as mergers. Although the Company Law has sought to provide legal protection for minority shareholders, its implementation in practice shows that these mechanisms have not yet been fully effective in delivering substantial protection (Rosida, 2023).

In the context of a merger, minority shareholders often lack sufficient power to reject decisions they do not agree with. In fact, there are instances where mergers proceed without obtaining their consent, indicating a disregard for the interests of parties who are economically and legally more vulnerable. This situation reflects a serious power asymmetry within the corporate structure, particularly when mergers are carried out with a primary focus on the interests of majority shareholders, without providing fair consideration for minority voices. Such injustice not only poses financial risks to minority shareholders but may also raise ethical concerns and compromise the overall integrity of corporate governance (Adiprakosa, 2015).

Legal protection of minority shareholders in the merger process is not merely a juridical obligation, but also a moral imperative to ensure justice and balance within corporate dynamics. This research aims to evaluate the effectiveness of the prevailing legal norms, identify existing gaps and challenges in their implementation, and formulate policy recommendations to strengthen the legal position of minority shareholders within the context of a fair and equitable merger process.

## RESEARCH METHOD

This research employs a normative legal method that focuses on the analysis of written legal norms (Matheus & Gunadi, 2024). The data sources are classified into three types of legal materials. First, primary legal materials, which consist of legislation relevant to the subject matter. Second, secondary legal materials, including legal literature, scholarly articles, and expert opinions, are used to enrich the analysis and provide academic perspectives (Matheus, 2021). Third, tertiary legal materials such as legal dictionaries, general dictionaries, and encyclopedias are utilized to clarify technical or conceptual terms. These three types of materials are integrated to produce a comprehensive, accurate, and contextual discussion (Soekanto & Mamudji, 2014).

## RESULTS AND DISCUSSION

### Forms of Legal Protection for Minority Shareholders

According to the provisions of Article 52 of the Company Law, a shareholder is defined as a party who is legally registered as the owner of shares in a company. Share ownership not only confers economic rights, such as the distribution of dividends and residual assets upon liquidation, but also entails corporate rights, including the right to participate in the company's strategic decision-making through the general meeting of shareholders mechanism. In this context, a shareholder is not merely a passive investor but a key actor in the corporate governance system, possessing the authority to influence the company's policy direction, particularly in matters that are not directly delegated to the board of directors or the board of commissioners.

The authority held collectively by shareholders is exercised through the general meeting of shareholders, which is normatively recognized as one of the company's main organs. Through the general meeting of shareholders, shareholders are able to exercise various strategic powers, such as the appointment and dismissal of members of the board of directors and the board of commissioners, amendments to the articles of association, as well as the approval of mergers, consolidations, acquisitions, or the dissolution of the company. In practice, the exercise of authority through the general meeting of shareholders also reflects the principle of corporate democracy, in which shareholders' votes are counted proportionally based on the number of shares they own.

In the ownership structure of a limited liability company, various types of shareholders are recognized, classified based on the characteristics of their ownership and the rights attached to the shares they hold (Tarina, 2022). This classification is important to understand because each type of shareholder has different positions, interests, and influence in the company's decision-making process. In general, shareholders can be categorized into individual and institutional shareholders, majority and minority shareholders, as well as holders of preferred shares and common shares. First, individual shareholders are natural persons who directly purchase and own shares in the company, either through the stock exchange or other investment instruments. This group often consists of retail investors who hold a relatively small proportion of ownership compared to large entities.

Although their capital contribution is limited, individual shareholders still play a role in the dynamics of the capital market and can influence the reputation and public perception of a company. Second, institutional shareholders are entities composed of financial institutions, pension funds, insurance companies, mutual funds, or other investment institutions with substantial financial capacity to purchase significant amounts of shares. Their role in the company tends to be more strategic because, in addition to having significant purchasing power, they often have their own agenda in pushing management policies to prioritize long-term performance (Aditya & Muskibah, 2020).

In practice, the pressure exerted by institutional shareholders can influence managerial decisions, including matters related to corporate governance, sustainability, and operational transparency. Third, based on the proportion of ownership, shareholders are classified into majority and minority shareholders. Majority shareholders are those who control more than 50% of the company's shares, and thus practically have dominant control over the direction of policies and strategic decisions of the company, including the appointment of the board of directors and the board of commissioners. On the other hand, minority shareholders hold a smaller number of shares and tend to have limited influence over the company's policies. Therefore, legal protection of minority shareholders' rights becomes an important issue to ensure that their voices are not neglected or disproportionately affected by the dominance of the majority. Fourth, shareholders can also be classified based on the type of shares they hold, namely preferred shareholders and common shareholders. Preferred shareholders enjoy special rights, such as priority in dividend distribution and claims on the company's assets in the event of liquidation.

However, their voting rights in the general meeting of shareholders are typically limited or even nonexistent. In contrast, common shareholders have voting rights in the general meeting of shareholders and are entitled to determine the direction of the company's policies, although their economic rights, such as dividend distribution, are highly dependent on the company's policies and do not have a guaranteed assurance. Overall, the diversity of shareholder types reflects the complexity of the ownership structure of a company. Understanding the characteristics of each type of shareholder is crucial in the context of modern corporate governance (good corporate governance), as it is closely related to fair, transparent, and accountable decision-making. The imbalance of power among shareholder groups can lead to potential conflicts of interest, thus requiring legal protection mechanisms and regulations that can ensure equality and protection for all parties involved in the company (Kurniawan, 2014).

Legal protection for minority shareholders in a limited liability company is a crucial issue in maintaining the balance of power between majority and minority shareholders. According to the provisions in the Company Law, the company's articles of association can establish classifications of shares, such as common shares and preferred shares. This regulation creates a hierarchical structure within the company that directly affects the distribution of voting rights and strategic decision-making. In this context, majority shareholders normatively have greater authority compared to minority shareholders, as their voting power is proportional to the number of shares they hold. However, although this portion of power is legally legitimate, abuse of authority by majority shareholders is not uncommon.

In this protection, two forms of legal approaches are recognized: first, preventive protection, which aims to prevent violations or abuse of power before real harm occurs; and second, repressive protection, which acts as a corrective measure when the rights of minority shareholders have been violated or harmed. Research on this legal protection needs to delve deeper into how control mechanisms against majority dominance are implemented, as well as assess the effectiveness of existing regulations in ensuring participation and protecting minority rights. A critical evaluation of the applicable regulations also needs to consider the context of implementation on the ground, as there is often a gap between written legal norms and actual business practices (Raffles, 2020).

The protection of minority shareholders in a limited liability company can be critically analyzed through the lens of the Law and Corporation Theory, which views the corporation as a distinct legal entity with its own rights and obligations, separate from its shareholders (Bainbridge, 2002). This theory positions the corporation as a nexus of contracts, responsible for balancing the interests of diverse stakeholders, including minority shareholders, to ensure equitable governance. According to Article 52 of Company Law, a shareholder is defined as a party legally registered as the owner of shares, conferring economic rights (e.g., dividends and residual assets upon liquidation) and corporate rights (e.g., participation in strategic decision-making through the general meeting of shareholders, or GMS). Shareholders are not merely passive investors but key actors in the corporate governance system, influencing the company’s policy direction, particularly in matters not delegated to the board of directors or commissioners. However, the Law and Corporation Theory highlights that the corporation’s separate legal personality imposes a duty to mediate power dynamics, ensuring minority shareholders are not marginalized by majority dominance in strategic decisions (Rumokoy, 2011).

The GMS, recognized as a primary organ of the company, enables shareholders to exercise strategic powers, such as appointing or dismissing directors and commissioners, amending articles of association, and approving mergers, consolidations, acquisitions, or dissolution. This reflects the principle of corporate democracy, where voting power is proportional to share ownership. From the perspective of the Law and Corporation Theory, the GMS is a contractual mechanism through which the corporation fulfills its obligations to shareholders. However, the proportional voting system often favors majority shareholders, undermining the corporation’s duty to ensure fairness, particularly for minority shareholders whose interests may be overlooked in decisions like mergers.

The ownership structure of a limited liability company recognizes various shareholder types, classified by ownership characteristics and rights. Individual shareholders, typically retail investors with limited ownership, contrast with institutional shareholders, such as financial institutions or pension funds, which wield significant influence due to substantial shareholdings. Based on ownership proportion, majority shareholders (holding over 50% of shares) dominate strategic decisions, while minority shareholders have limited influence, making them vulnerable to marginalization. Preferred shareholders enjoy priority in dividends and liquidation claims but often lack voting rights, whereas common shareholders have voting rights but face uncertain economic returns. The Law and Corporation Theory underscores that this diversity reflects the corporation’s complex contractual relationships, necessitating legal protections to ensure the entity upholds its obligation to treat all shareholders equitably, particularly minority shareholders at risk in strategic corporate actions (Bainbridge, 2002).

Legal protection for minority shareholders is crucial to maintaining the corporation’s integrity as a separate entity accountable to all stakeholders. The Company Law allows share classifications (e.g., common and preferred shares), creating a hierarchical structure that affects voting rights and decision-making. Majority shareholders’ disproportionate influence, legitimized by the “one share, one vote” principle, can lead to abuses of power, such as approving decisions that disadvantage minority shareholders (P. H. Siregar, 2022). The Law and Corporation Theory highlights that such imbalances challenge the corporation’s role as a neutral entity, requiring robust legal mechanisms to protect minority rights. The Company Law provides preventive protections, like mandatory GMS approvals, and repressive protections, such as mechanisms allowing minority shareholders to seek redress for violations. However, the theory reveals limitations, as these mechanisms may fail to prevent majority-driven decisions that marginalize minority interests, reflecting a gap in the corporation's ability to balance stakeholder obligations (Surya, 2009).

In Indonesia, legal protections for minority shareholders are embedded in the Company Law, the Commercial Code, and Law Number 8 of 1995 concerning the Capital Market (Sridana et al., 2020). The Commercial Code offers only implicit protections, leaving minority shareholders vulnerable to majority dominance. For instance, Article 54 paragraph (4) of the Commercial Code once limited voting power to curb majority control, but its abolition by Law No. 4 of 1971 and adoption of the "one share, one vote" principle in the Company Law intensified power imbalances. In the capital market, Article 82 paragraph (2) of the Capital Market Law, alongside Regulation IX.E.1/2008, mandates minority shareholder approval for transactions involving conflicts of interest, aligning with the Law and Corporation Theory's emphasis on the corporation's duty to ensure equitable decision-making. Nevertheless, the theory highlights that these protections are often ineffective in practice due to weak enforcement, allowing majority shareholders to dominate decisions. A critical evaluation through the Law and Corporation Theory reveals a gap between normative protections and their practical implementation, necessitating stronger oversight and transparency to ensure the corporation upholds its obligations to all shareholders (Rudy Prasetya, 2011).

In the Commercial Code, protection for minority shareholders is not explicitly regulated as a separate concept. However, normatively, several provisions in the Commercial Code provide a gap for protection through the application of a voting quota system in decision-making, even though it does not fully adopt the principle of "one share, one vote." For instance, Article 54 paragraph (4) of the Commercial Code limits the number of votes for each shareholder under certain conditions, indirectly functioning to restrict the dominance of majority shareholders. However, this quota system was later abolished through Law No. 4 of 1971 and replaced by the "one share, one vote" principle, which was then also adopted in the Company Law. Meanwhile, in the capital market domain, Article 82 paragraph (2) of the Capital Market Law in conjunction with the Capital Market and Financial Institutions Supervisory Agency Regulation IX.E.1/2008 provides more concrete protection for minority shareholders in transactions involving conflicts of interest. Although their involvement is not absolute since the primary authority remains with Capital Market and Financial Institutions Supervisory Agency, this regulation requires the approval of minority shareholders for certain transactions. This reflects the spirit of legal protection that upholds the principle of equality in strategic corporate decision-making. This provision limits the freedom of majority shareholders, directors, or commissioners in agreeing to transactions that harm the minority group for personal gain. Therefore, this regulation not only formally acknowledges the existence of minority shareholders but also establishes ethical and legal boundaries against potential abuse of corporate power.

**Legal Protection for Debtors in Good Faith**

In practice, the merger process between two or more companies often gives rise to complex legal issues, particularly concerning the interests of shareholders. One issue that frequently comes under scrutiny is the legal protection of minority shareholders, whose position in the corporate structure is often weaker than that of majority shareholders. Therefore, it is crucial to ensure that the merger process is conducted in accordance with the principles of fairness and equality for all parties involved, including those holding smaller amounts of shares. Normatively, the rights of minority shareholders have been recognized and protected in the applicable laws in Indonesia, particularly in Company Law. This law provides a clear legal basis for the position and legal protection of minority shareholders in various corporate actions, including mergers. However, in corporate practice, the legal protection that is normatively provided is often difficult to implement effectively (Fuady, 2002).

Minority shareholders often face challenges in expressing their objections, especially when the merger process is driven by the interests of majority shareholders or company management, who have dominant power in decision-making. When the voices of minority shareholders are ignored or not given proportional space in the merger approval process, the potential harm they face becomes very real. When the rights of minority shareholders are violated during the merger process, it is likely that this will lead to serious legal disputes. One form of legal resistance that minority shareholders can take is by filing a lawsuit in court, particularly if the merger proceeds without obtaining the necessary approval from them. In this context, the court plays an important role as a forum for dispute resolution, assessing whether the rights of minority shareholders have been violated and whether the merger process has been carried out in good faith and in accordance with the principles of good corporate governance (Rastuti, 2015).

The legal issues related to the protection of minority shareholders in the structure of a limited liability company are important issues that have received serious attention in the Indonesian legal system. The legal foundation that can be used as the main reference in this matter is Company Law, which explicitly regulates the fundamental rights of shareholders, including those who do not have majority control over the company. In the context of a merger or consolidation, this law provides a special protection mechanism for shareholders who do not approve of the merger decision. As stipulated in Article 62 paragraph (1) of the Company Law, shareholders who do not agree to the merger have the right to request the company to buy back their shares at a fair price. This provision substantively reflects the principle of legal protection for minority shareholders to prevent them from being harmed by decisions made through a general meeting of shareholders that is dominated by majority shareholders (A. L. Siregar et al., 2013).

In this case, the principles of fairness and the balance of interests between majority and minority shareholders become crucial to uphold, considering that each shareholder has voting rights proportional to the number of shares they own. However, in reality, minority shareholders often lack the power to influence the direction of the company's policies. In general, the legal regime for limited liability companies in Indonesia has attempted to establish a system that ensures protection for both types of shareholders, whether majority or minority, within the framework of corporate decision-making. However, the dominance of majority shareholders, who own more than 50% of the shares, often makes their votes decisive in the general meeting of shareholders. This potentially opens the door to abuse of power or actions that create an imbalance of interests, especially if the merger process is rushed without considering the aspirations and rights of minority shareholders (Budiarto, 2002).

Thus, the existence of legal norms that grant minority shareholders the right to exit the company by selling their shares to the company at a fair price is not only a form of protection but also an effort to guarantee the principle of fair participation in corporate governance. This protection is important not only to prevent internal corporate conflicts but also as an effort to build investor confidence in the certainty and fairness of the law within the national business climate. Ultimately, the purpose of this regulation is to maintain the integrity of the corporate structure and ensure that every major corporate decision, such as a merger, is carried out transparently, responsibly, and with respect for the rights of all shareholders without exception (Budiarto, 2002).

A merger is one form of corporate action commonly taken by companies as part of a business strategy to improve operational efficiency, expand market share, or strengthen financial structure. Although often seen as a rational step to achieve better business outcomes, a merger is essentially a legal act that is not only administrative in nature but also carries significant legal consequences. The legal consequences of a merger are not only felt by the entities involved in the merger but also by parties with a direct interest, including shareholders, particularly minority shareholders, as well as external parties such as employees, the public, and even competition in the market in general (SIP Law Firm, 2024).

The Company Law perspective and the interests of minority shareholders can be analyzed from two main viewpoints. First, in their capacity as individuals with personal rights to the company, shareholders have certain rights that cannot be unilaterally removed by majority decisions. Second, as part of the collective entity in the company, minority shareholders also have derivative rights, particularly in the context of overseeing the actions of corporate organs such as the board of directors and the board of commissioners, whose decisions impact the company's survival and strategic direction (Sondak, 2016). Both of these interests are inherent rights attached to the shareholder status and, in principle, must receive adequate legal protection to prevent them from being sidelined in strategic decision-making processes like mergers.

As a form of legal protection for the position of minority shareholders, the law stipulates that merger decisions cannot be determined solely by the board of directors of the respective companies. Instead, the merger process must first receive approval in a general meeting of shareholders, which is the highest forum in the company's decision-making structure. This approval requires a certain quorum, meaning that the merger decision must be approved by at least three-quarters (¾) of the total shares with voting rights present at the general meeting of shareholders. This provision is not merely procedural but reflects the spirit of maintaining a balance of power within the company to ensure that strategic decisions are not dominated by the majority group without considering the views of the minority group (Elfira, 2020).

A merger, as a legal act, must also consider broader interests beyond just those of the shareholders. Company Law implicitly emphasizes that every corporate action, including mergers, must take into account its impact on the sustainability of the company, the protection of employees' rights, the interests of the wider community, and ensure that there are no violations of the principles of fair competition. In this regard, Article 2 of the Company Law highlights that a limited liability company has its own legal entity, and its interests must be viewed as separate from the personal interests of each shareholder. These corporate interests are typically outlined explicitly in the company's articles of association, particularly in the formulation of the company's objectives and purposes (Fuady, 2005).

## CONCLUSION

Legal Protection for minority shareholders in limited liability company is an essential aspect of maintaining a balance of power among capital owners. Although structurally, majority shareholders dominate strategic decision-making within the company, corporate law in Indonesia has established various mechanisms to prevent abuse of power and ensure that the rights of minority shareholders are respected. These legal protections are divided into two main approaches: preventive and repressive. Preventive protection aims to avoid losses by ensuring the participation rights of minority shareholders in the general meeting of shareholders, as well as requiring their approval in transactions involving conflicts of interest. On the other hand, repressive protection provides a legal avenue for minority shareholders to file lawsuits when their rights are violated, such as in cases where a merger is conducted without good faith or their consent. Company Law has provided a strong legal foundation for these protections, including the right to sell shares back to the company at a fair price if minority shareholders do not agree with corporate actions like mergers. This provision reflects the spirit of fairness and the principles of good corporate governance, which calls for the participation of all shareholders without discrimination. However, in practice, the implementation of these protections does not always go smoothly. Power imbalances, majority voice domination, and the gap between legal norms and business practices often present obstacles in ensuring effective protection for minority shareholders. Therefore, not only clear regulations are needed, but also consistent implementation and strong oversight mechanisms to truly safeguard the rights of minority shareholders.

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