Research Article

Review of Legal Compliance of Funding Models and Pivoting Events of Indonesian Digital Start-ups

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ABSTRACT

The existence of digital start-up growth in the existence of digital start-ups that are still looking for a business model so that it can be possible to make changes to the business model in the acceleration process, this affects the funding agreement made by the accelerator. So it is necessary to know the funding scheme for the establishment of digital start-ups and the impact of changing business models on investment contracts. The purpose of this paper is to determine the legal relationship of accelerators, in this case venture capital, to digital start-up in Indonesia, funding schemes and the legal consequences of changing business models by digital start-ups. The research method used is normative juridical, the research specification used is descriptive-analytical. The results showed that funding by Venture capital using convertible notes instrument, against investment contracts if digital start-ups do pivot. It is concluded from the results of the research that the implementation of funding by Ventures Capital will re-do the agreement with the assessment indikator. The implementation is carried out based on the Law of BUMN the Law of Limited Liability Company, the Law of Investment and the Venture capital Head Company Articles of Association.

Keywords: **Pivoting; Venture Capital; Digital Start-ups**

A. INTRODUCTION

Innovation has value in a business in order to increase the selling value of products. This effort involves adding technology in developing the business, as demonstrated by the formation of new business model entities in the form of digital start-ups, so that it can be said that there is a digital transformation as a manifestation of the development of the digitalisation era. The use of technology can also be centred on humans, such as utilising technology for automatic contract creation and autonomous sales, without the need for direct contact (Lumbanraja, 2025); (Tahir et al., 2023). The progress and massive development of technology has led every country to develop technological innovations as a supporting programme for the state (Mayana et al., 2024). Digitalisation is defined as the act of converting analogue information into digital information so that computers can store, process, and transmit information. Due to this digital transformation, a product in a digital start-up business model needs to undergo model determination and testing before it is traded to ensure it is suitable for use (Yang & Xu, 2025). This digital transformation has led to the emergence of new types of businesses in the fields of trade, education, and health, offering products in the form of goods or services in line with technological developments. The adoption of innovations utilising technology in Indonesia can be seen with the emergence of business sectors in the field of transportation, such as online transportation applications and crowdfunding applications (Musjtari, Roro, & Setyowati, 2022). As a business model innovation concept that combines a partnership between transportation service application providers and individual vehicle owners to connect prospective passengers with vehicle owners (Amalia, Harahap, & Prabandari, 2025).

In the field of trade, the E-Commerce sector has emerged, offering services in the form of buying and selling goods, both website-based and application-based. In the field of health, the Telemedicine business model has emerged, selling online consultation services with doctors and selling food and medicine (Destyarini, 2024). It can be said that business actors with this business model use networks. The definition provided by Joseph Scrupmter states that a start-up is a business entity characterised by innovation and creativity in entrepreneurship (Mulyawan, Dhewanto, & Aldianto, 2021). The development of the digital start-up climate in Indonesia has increased year by year, influencing economic growth. This is demonstrated by data on the existence of digital start-ups in Indonesia, which has the highest number of start-ups in the world, with 2,562 as of January 2024, ranking second in Asia and sixth globally (Kartika et al., 2025); (Yashilva, 2024). The sustainability and development of this start-up business model must be supported by the founders' business connections with investors, venture capitalists, accelerators, and industries (Aljalahma & Slof, 2022); (Jeong et al., 2020). Digital start-up business models whose economic value lies in innovation must be demonstrated in the form of product prototypes so that the usefulness of the product can be assessed. This economic value is attached as an economic right to the holders of intellectual property (Dharmawan et al., 2023).

Similar to the supporting factor of business development in the form of capital, developing innovative products requires access to funding to support business continuity. The Indonesian Information and Communication Technology Creative Industry Community (MIKTI) revealed that the main problem facing start-ups in Indonesia is access to funding. A total of 34.1% stated that capital is the main problem, 13.3% experienced regulatory problems, and the remaining 12.9% faced market problems, 12.3% faced strategic problems, and 8.8% faced human resource problems (Dihni, 2022). Furthermore, based on the e-Conomy SEA 2024 Report, which presents the digital landscape in Indonesia, there was a change in private funding in 2021 amounting to £9.1 billion, indicating a focus on areas of long-term growth in Indonesia's digital economy, which is developing consistently until 2024 (Yashilva, 2024).

Funding provided by financial institutions, angel investors and venture capitalists, who then act as investors in providing funding through a selection process (Lee, 2022); (Gao et al., 2024). The characteristics during the selection process with funding assessment indicators given to digital start-up companies lie in innovative ideas, not yet having a prototype of the technology product to be offered with intellectual property protection (Waspiah et al., 2023), In general, start-ups need support in realising the product as a work of art that will later be converted into a value equivalent to the prospective price of the product when it is marketed (valuation) and has sustainability (Jeong et al., 2020).

There are three stages in demonstrating the business model of a digital start-up as a product. First, participating in pitching competitions organised by investors. These competitions aim to determine the framework, company structure, development team management, and objectives by conducting product demonstrations and final funding targets. Second, after being selected in the pitching competition, the next stage is called seed-round-funding in the form of incubation and acceleration. At this stage, the results of the pitching competition have identified the business model. The business field to be selected is then determined by developing aspects of technology utilisation services, company organisation, and product marketing development (Destyarini, 2023). Third, corporate action is carried out as the final stage of exit funding in the form of public offerings, mergers, consolidations, and acquisitions.

The Data Centre of Economic and Law Studies (CELIOS) reports that investment in Indonesian start-ups declined by 66% in 2023, with digital start-up investment dominated by venture capital companies. The research was conducted to determine the role of law as an important instrument in the business development process of digital start-ups by developing legal and business aspects (Hadi, Hamdani, & Roziqin, 2023).

Funding by investors to support the development of digital start-ups is carried out by angel investors and venture capitalists. In providing funding, they are guided by investment contracts with the parties providing the funding. In the case of funding provided by an angel investor, the legal basis used is the Civil Code, but in the case of funding provided by a venture capital company, the guidelines are in line with the Limited Liability Company Law, the Job Creation Law, and Venture Capital in conducting business activities in the form of providing funding is subject to Law 19 of 2003 concerning State-Owned Enterprises and regulations related to the funding business process.

This article discusses the limitations of digital start-ups, which in this case are start-up companies that run a digital business model in the form of information technology development. The acceleration funding stage by accelerators as investors in this case is venture capital, which is a limited liability company. The seed funding stage is provided to digital start-ups by ensuring legal compliance by digital start-ups in the form of legal entities or non-legal entities. In this case, the choice of legal entity is a Limited Liability Company (PT) subject to the provisions of Law No. 40 of 2007 concerning Limited Liability Companies, Implementing Regulation Number 43 of 2011 and Law Number 6 of 2023 concerning the Implementation of Law Number 2 of 2022 concerning Job Creation. Legal compliance requirements for funding each investor vary according to the funding target. Some venture capitalists require legal compliance in the form of a limited liability company, in accordance with the provisions of the Limited Liability Company Law.

Therefore, in establishing a business entity at the seed funding stage of a digital start-up as a limited liability company, the requirements for corporate organs must be met. Unlike the corporate organs in a limited liability company, digital start-ups have corporate management organs, namely a Chief Executive Officer (CEO) who holds the highest responsibility for corporate strategy and vision, a Chief Technology Officer (CTO) who is responsible for business product development, in this case technology, and a Chief Financial Officer (CFO) who is responsible for corporate financial planning. The formation of organs in digital start-ups can be carried out during mentoring. Subsequently, the process can proceed to the incubation stage, acceleration, and potentially exit through mergers and acquisitions or an initial public offering (IPO).

It can therefore be concluded that seed funding for digital start-ups through acceleration is a stage that selects digital start-ups in terms of testing the feasibility of their business models using specific indicators in order to obtain funding from angel investors and venture capitalists. After digital start-ups obtain funding from either angel investors or venture capital, the business decisions of digital start-ups can determine the steps to change their business model or add business activities based on evaluations conducted by company management together with investors, in this case venture capital, to conduct an Initial Public Offering (IPO) and Merger and Acquisition (Chen et al., 2020).

The business process by accelerators in making decisions to provide capital participation to digital start-ups is determined by the aspect of 'due diligence' by seeking facts in the form of compliance as required by law (Sheehy et al., 2023), so as to create a mechanism that must be complied with (Zentoni et al., 2025). Due diligence theory is used not only for legal examinations in relation to business transactions, but also by investors who will invest in companies (Endarto, 2018). Venture Capital evaluates human resources, business objectives and target markets. This theory is used as an analysis to help analyse the operations of accelerators in conducting feasibility tests for digital start-ups that will be provided with capital participation.

The theory of legal responsibility is human awareness of intentional or unintentional behaviour or actions (Jansen, 2014). Legal responsibility can be interpreted as the obligation to bear, shoulder responsibility, bear everything, if something happens, can be sued, blamed, prosecuted, and so on in accordance with applicable laws (Saputra et al., 2025). Basically, every exercise of rights and fulfilment of obligations must be accompanied by accountability. The theory of legal responsibility is used as a basis for analysing the legal relationship between accelerators, in this case venture capital companies, which give rise to rights and obligations as well as risks that may arise as a result of funding activities for digital start-ups.

Regulations related to the venture capital business process in providing funding by Venture Capital as an accelerator that has a role in accelerating the growth of the digital start-up business itself are based on the Limited Liability Company Law, the State-Owned Enterprises Law, and the articles of association of the parent company in order to carry out its business activities in participating in the development of the technology sector. As Modal Ventura is a subsidiary of a company whose founders are the state, all business activities must be based on the articles of association, which determine the work plan that must state the objectives and purposes of business activities in the articles of association as stipulated in Article 18 of the PT Law. The provisions of the Capital Market Law in Article 1 Number 22 apply, which states that as a company with paid-up capital of three billion rupiah (Efendi, Susanti, & Suwardi, 2024). The provision of funds from additional capital from shares owned by the parent company, in which the company's share ownership consists of Series A Dwiwarna shares owned by the Republic of Indonesia and Series B shares that can be owned by the Republic of Indonesia and/or the public, is based on Law Number 8 of 1995 concerning the Capital Market.

With regard to the description contained in the background of the problems in this study, they are as follows: a. What is the legal relationship between the funding scheme provided to digital start-ups by venture capital accelerators and digital start-ups in Indonesia? b. What are the legal consequences of pivoting by digital start-ups during funding?

Previous studies have found that the development of the digital economy ecosystem faces obstacles in the form of lengthy business licensing processes and over-regulation, thus requiring policy formulation, supervision, empowerment, and capital support for start-ups (Kharisma, 2021); (Hadi, Hamdani, & Roziqin, 2023). This study explains that government support in developing the digital economy ecosystem is provided through policy formulation in the form of legal infrastructure. Another study by Purwanto et al. found that the main challenges faced by start-ups include limited access to early-stage funding and regulations that are not yet sufficiently adaptive to digital business models. This is explained by researchers as limited access to financing based on data obtained from the Financial Services Authority, which shows that around 55.43% of entrepreneurial financing needs in Indonesia are not yet met by banking institutions (Purwanto, Kurniati, & Majid, 2025); (Jin & Guan 2025); (Hakim 2024). The development of digital startups through incubation programmes faces obstacles in the form of a lack of funds for business development, because in financing a business, investors look at various factors such as the team's background, the amount of traction that has been obtained, and the potential for future development, which determines whether it is feasible to provide funding (Rosa, Sukoharsono, & Saraswati, 2019); (Mulyana et al., 2022). As funding is a factor in the development of the digital startup industry, the investors who play a role in funding are venture capitalists, both in the form of independent venture capital and corporate venture capital, who can also discover innovative ideas (Shuwaikh et al., 2025); (Gao et al., 2024). Therefore, this study aims to examine the legal aspects of funding by venture capital at the acceleration funding stage and the legal consequences of pivoting at that funding stage.

The novelty of this study lies in its scope, which discusses the same topic of funding provided by venture capital companies. However, the difference lies in the fact that this article conducts a legal review of venture capital funding carried out by corporations to determine the instruments at the acceleration stage and the legal consequences that arise when funding is provided to digital start-ups in Indonesia and the implementation of start-up businesses at the initial funding stage based on the relevant regulations governing the legal relationship between venture capital and the start-ups themselves. This article aims to explain the legal review of funding by venture capital at the acceleration stage and the legal consequences of pivoting on funding so that the characteristics of venture capital as an accelerator, the instruments used, and the influence of business model changes on the funding provided by venture capital can be understood.

B. RESEARCH METHODS

The normative legal approach method seeks to align applicable legal provisions in legal protection with other legal norms or regulations in relation to the practical application of these legal regulations in the field (Nasution, Suteki, & Lumbanraja, 2025); (Soekanto, 2012). The research specification used is descriptive-analytical, analysing existing regulations using legal theory and positive law related to the problem. Descriptive-analytical research was conducted by the author, because in this study the author described the existing reality or facts and described the financing by the Accelerator, in this case Venture Capital, in providing financing to Digital Start-ups based on the Regulations that form the basis of this study (Benuf, Mahmudah, & Priyono, 2019). Through a literature study to obtain secondary data through documents related to the problem, objectives and benefits of the research, secondary data was collected through interviews and questionnaires containing questions related to the problem being studied to informants in order to obtain information related to the problem being studied. This study uses qualitative data analysis techniques. The data is then analysed using theory and positive law that has been formulated, and conclusions are then drawn inductively to answer the existing problems (Ali, 2018). The data is then analysed using theory and positive law that has been formulated, and conclusions are then drawn inductively to answer the existing problems.

C. RESULTS AND DISCUSSION

1. Legal Review of Venture Capital as an Accelerator for Digital Start-up Funding in Indonesia

The emergence of digital start-up business models has attracted investors to flock to provide funding in the hope of obtaining returns on their investments. Venture capitalists provide support by acting as incubators and accelerators. Venture capitalists are corporations that engage in investment and/or technology business activities. The concept of start-up accelerators emerged to support early-stage or growing start-ups in realising their potential and increasing their chances of success. Accelerators are corporations that organise acceleration programmes by providing professional services, monitoring and managing the development of digital start-ups, either in collaboration with others or independently. For companies, acceleration is a new structure that acts as an innovator and builder of business ideas that carry risk (Yi et al., 2023).

The facilities provided by the acceleration programme include a working space as a place to share ideas, training programmes in the form of courses and seminars on topics such as public communication, marketing, legal aspects, finance and design, as well as regular meetings with the acceleration management to build trust and review business progress. At the end of the acceleration programme, there is a demo day where start-ups have the opportunity to present in front of investors, both venture capitalists and angel investors, and are covered by the media. This is an indicator that the start-up is a valuable candidate with growth prospects.

In the process of assessing a start-up's eligibility for the accelerator stage, a selection is made based on whether the idea meets the needs of venture capital. The founders required to start a start-up consist of a Chief Executive Officer (CEO) who acts as the company representative, a Chief Technical Officer (CTO) as a technology expert, and a Chief Financial Officer (CFO) who speaks on business aspects.

The structure of the company is outlined in the company's code of ethics as a guideline for carrying out duties and responsibilities (Turisno, Priyono, & Yunanto, 2024). Once the team is formed, it registers, and during the assessment process, a start-up can enter the accelerator stage, where it is selected based on whether its ideas meet the needs of venture capital. The stages of digital start-up business development include: a). Pre-seed stage before the emergence of a business idea, involving consumer research to identify market needs and model validation by determining the price of the product, which takes 3 to 6 months; b). Seed stage when the business idea has emerged and is then developed (Rosa, Sukoharsono, & Saraswati, 2019); c). The start-up has realised the business idea to be implemented; d). Exit, which is the result generated from the business product that has been marketed.

Therefore, based on the above explanation, venture capital companies act as accelerators in providing capital investment from the seed stage, through the formation of start-ups, to the exit stage. The basic guideline for accelerators in providing capital investment in Indonesia is based on Article 1338 Paragraph (1) of the Civil Code, which uses the principle of freedom of contract in reaching an agreement that fulfils a sense of justice and fairness, because capital investment is carried out by individuals using their personal wealth (Chrystofer, Priyono, & Njatrijani, 2017). This serves as the basis for the capital participation agreement between the start-up founders, in this case representing the business entity, and the accelerator. In Indonesia, parties that can act as accelerators can be individuals (angel investors) or corporations in the form of venture capital, based on Law Number 40 of 2007 concerning Limited Liability Companies.

Second, the position of accelerators as venture capital companies is subject to Law Number 40 of 2007 concerning Limited Liability Companies, which stipulates that they must have objectives and business activities as stated in the company's articles of association. Accelerators exist in the development of digital start-ups through funding from additional capital used to invest in digital start-ups (Kauripan, 2013). The role of venture capital is to conduct business activities as an accelerator for digital start-ups by participating as an investor through the shares of selected start-ups to be accelerated. The business process of acceleration occurs when, at the pitching stage, venture capital is interested in the business model of the digital start-up, resulting in funding from venture capital, so that the value of the funding comes from the unique characteristics of the business model. Business activities carried out by channeling capital in the form of share instruments and share trading are governed by Law Number 8 of 1995 concerning the Capital Market, Law Number 19 of 2003 concerning State-Owned Enterprises, the Company's Articles of Association, the General

Meeting of Shareholders (GMS) and the Company's Planning Documents.

Third, based on Article 1 point 2 of Law Number 19 of 2003 on State-Owned Enterprises, which states that at least 51% of the capital of a limited liability company must be owned by the state, the capital ownership of a state-owned enterprise as a public limited liability company whose shares are publicly offered, as well as the acquisition of recognition as an independent legal entity (separate legal entity), thereby applying the principle of corporate independence (Rahadiyan, 2016). In this case, venture capital is positioned as a subsidiary of a public company, so based on Article 84 of the Investment Law, it is determined that each share issued has one voting right. which may not apply in the case of parent company shares controlled directly by its subsidiaries or company shares controlled by other companies whose shares are owned directly or indirectly by the company

Fourth, further elaborated in Law No. 27 of 2007 concerning Investment, it can be explained that the position of a venture capital company as a domestic investor conducting domestic investment activities by acquiring shares at the time of establishing a limited liability company, in this case the establishment of a digital start-up, is to obtain profits based on economic democracy (Atikah, 2016). Guided by the parent company's articles of association to increase business activities by making investments, including capital participation in other companies to achieve the company's aims and objectives.

The criteria for funding by venture capital companies require digital start-ups to be legal entities as stipulated in Article 7 of Law No. 40 of 2007 concerning Limited Liability Companies, with a minimum of two or more founders consisting of a CTO, CFO and CEO, each of whom has the right to acquire shares. The founders, shareholders, members of the Board of Directors and Board of Commissioners of the Company have no conflicts of interest with venture capital, including members of the Board of Directors, members of the Board of Commissioners and shareholders of the company and/or its subsidiaries. Neither the founders, shareholders, members of the Board of Directors nor members of the Board of Commissioners are involved in criminal offences, whether financial or other criminal offences, nor have they ever been bankrupt or indicated to be in the process of litigation as stipulated in Articles 39 and 110 of the Limited Liability Company Law. The company's portfolio is in accordance with the Company Planning Document owned by the Company, which has been approved by a Ministerial Decree as stipulated in Article 24 of the State-Owned Enterprises Law, and the startup company is not involved in any civil disputes or liquidation or criminal acts, and the company's annual report is prepared to obtain information or investments to be submitted to the Board of Directors and Board of Commissioners.

The implementation of investments is carried out in the following order: first, selection, which consists of the company proposal process accompanied by the company profile along with investment partners and the investment value to be made. From these proposals, the Board of Directors will decide whether to approve or reject them, as it is the authority of the company's governing body to formulate work plans, including annual budget plans, to be submitted to the Board of Commissioners and the General Meeting of Shareholders as stipulated in Articles 63-64 of the Limited Liability Company Law. If approved, the investment will be carried out and led directly by the Board of Directors. The selection process begins with a list of digital start-ups funded by Venture Capital, Due Diligence in the form of the status of the digital start-up as a legal entity, the founders of the company and the approval of the Board of Directors, Commissioners, and Shareholders. Second, the investment stage involves determining whether the investment will be made in the form of: 1). Direct Participation in the form of direct Equity Participation in the start-up company, the purchase of new shares issued by the start-up, and Convertible Notes in the form of loans to the start-up company which, based on the company's considerations or certain conditions, can be converted into Equity Participation. 2). Indirect Participation through other venture capital (VC) firms 3). Special Fund financing carried out by VC together with Strategic Investment Partners through a cooperation agreement appointing or jointly forming a VC that will manage the funds to be placed by Venture Capital and Strategic Investment Partners in the startup; 4). General Fund financing by placing funds in a VC that has opened a Fund with the following indicators for evaluating startups to be invested in: 5). Traction Growth: customer growth, business growth, churn rate ratio/customer retention, etc. 6). Revenue growth: revenue growth, transactions 7). Market Growth by looking at how big the market will be captured 8). Historical Funding and Valuation 9). Comparable companies: comparing the growth of similar companies. Finally, Monitoring and evaluation, which is the process of supervising and advising startups as well as preparing periodic reports on the progress of startups after investment (Post Deal Integration). Evaluations are conducted periodically. Venture Capital collects all facts related to the investment made to be submitted to the Venture Capital Board of Directors as material for evaluating the funding provided. The presentation of the evaluation results must at least consist of: a). Investment developments related to the revenue growth of digital start-ups; b). Synergy developments with the Venture Capital Parent Company; c). Important events that need attention; d). Recommendations for an exit strategy (if any) that can be used as an indicator when the digital start-up is going public and acquisitions (Guo, Lou, & Pérez-Castrillo, 2015); (Gillain & Axel, 2016).

The indicator of successful funding at the accelerator stage with a convertible note with a term debt letter is that if profits increase as agreed, an evaluation can be made of the obstacles experienced by the start-up and then discussed with the mentor, but the decision-maker for the actions to be taken is the start-up, with guidance from the mentor only as a recommendation. If the funding is deemed successful, it will be converted into shares after the acceleration stage is complete and the profits obtained will be converted into shares. The investment team conducts a direct assessment of, among other things, the Return on Investment, Internal Rate of Return, and Money Multiple (a comparison of the investment value at the time of investment with the latest conditions) to determine whether it is in line with the projected target (Manigart & Wright, 2013). Regarding the results of digital innovation products, there are economic rights aspects to the technology used, so it is necessary to pay attention to the facilitation of technology transfer, which is stated in the licence contract based on fairness and balance. Similarly, when the exit is not as agreed, the venture capital has provided special provisions that Start -up Digital that has been funded must repay the loan in full if the form of funding is in the form of a loan or repurchase by the digital start-up (buyback shares) (Sujatmiko, Romadhona, & Saraswati, 2025); (Zheng et al., 2025). These economic rights are assets whose ownership can be transferred, so they must be clearly regulated in the funding contract with venture capital (Disemadi, 2022).

Funding provided by venture capital to digital start-ups is subject to the above regulations, therefore further derivative regulations are needed regarding the valuation of digital start-ups, as well as adjustments to venture capital by carrying out funding acceleration activities for digital start-ups as limited liability companies included in the KBLI capital sector as stipulated in the company's articles of association. there are still no detailed and further regulations related to the implementation of acceleration for digital start-ups. This is because the strengthening of regulations in this case, namely the law, will create legal certainty (Muninggar & Rahardiansah, 2024); (Feka et al., 2025).

2. Legal Consequences Arising from Business Model Changes (Pivoting) by Digital Start-ups

The form of business model change that can be made by digital start-ups is from retail to e-commerce, in terms of marketing, from business-to-business (B2B), where the parties conducting transactions are companies, non-profit organisations or governments, to business-to-consumer (B2C), where the buyers are individual consumers and the focus is on the domestic market, and from B2B to B2G to expand the market scope (Comberg et al., 2014). Franchising becomes direct selling, changes in the software technology used so that the platform shifts from software to applications and vice versa. The process of changing the business model involves: a). A comprehensive financial review, transaction growth and market fit, a decline in transaction growth in the form of declining revenue, a decline in the number of monthly active users on the startup's application/website and a high churn rate. b). Meetings to obtain board and/or shareholder approval if necessary. c). The involvement of venture capital in digital startups as board/investor directors/board seats allows for discussions regarding business change strategies. d). A validated business model change will affect the capital rise that will be obtained. If the achievement indicators are met and transaction growth and revenue increase, additional investment may be possible.

The application of the Due Diligence Theory as an influence of business model changes in legal aspects in the form of fulfilling obligations as a legal entity by meeting the requirements as a limited liability company, this implementation is to minimise possible rights violations (Shamira & Dianti, 2025). If the changed business field requires a licence adjustment, it is mandatory in relation to the Indonesian Standard Industrial Classification (KBLI) because licensing is required in relation to funding. In investment agreements, approval from shareholders is required and/or an amendment to the agreement with shareholders is made in relation to changes in the company's business aspects (Purwaningsih & Anisariza, 2023). The nature of renegotiating the agreement depends on the investment agreement made with each start-up. The implementation of investment agreements is carried out by establishing legal relationships based on the principles of mutual benefit, trust, and compliance by the parties (Irawati, Santoso, & Prananingtyas, 2024); (Adhi, Anggi, & Renanda, 2024).

There are start-ups with a certain amount of investment that provide opportunities for venture capital to become board/investor directors/board seats so that control over the business can be exercised directly. Clauses in investment agreements made by venture capital towards digital start-ups that make changes to their business models are found in shareholder agreements, which stipulate Board Reserve Matters or Shareholder Reserve Matters, requiring approval from the Board Director or shareholders in the event of changes, and allowing the Board of Directors to provide advice. There are also clauses in each agreement regarding the special rights obtained by VC as shareholders. The form of investment provided by venture capital in the form of preferred shares has rights to this clause, so that venture capital is involved in decision-making for business model changes.

Digital start-up companies that receive venture capital funding may undergo changes in their business models. A valid reason for start-up companies to change their business models is due to events beyond their control, such as the pandemic that occurred in early 2020, which had a negative impact on certain business models of start-ups (Mhlanga, 2021). Pivoting or changing the business model when funding is provided is subject to limitations in the funding contract. In addition, changes in the business model can be made due to changes in consumer focus, resulting in adjustments to the technology. Indicators of business change include the digital start-up changing the technology it uses or develops, changing its target consumers, not yet running other lines of business, and having a good but undeveloped resource business model.

The theory of legal responsibility as a result of implementing business capital changes (pivoting) as an effort to maintain business status by providing technology protection to startups is given in the form of a legal agreement to protect the funded technology (Fernandes & Afonso, 2018); (Sihombing et al., 2024). When venture capital invests in a startup, the startup has control over the technology, so any losses that may occur will be prevented through the formation of an agreement that protects the technology. In the event of force majeure, it is mandatory to notify the other parties to the agreement within a certain period of time so that repairs can be made and the next steps can be taken (Nurcahyo, 2016).

D. CONCLUSION

The legal relationship between the accelerator as the party providing acceleration in terms of funding for the development of digital start-ups, which exist as subsidiaries of state-owned enterprises, is that the capital obtained by the parent company as a state-owned enterprise comes from state revenue and is offered publicly. In providing funding, the accelerator requires that the digital start-up be a legal entity in the form of a limited liability company, so that at least two people are involved in its establishment. In the start-up, the founders are the CTO, CFO and CMO, who have the right to share the shares. The funding scheme is provided by venture capital. The founders, shareholders, members of the Board of Directors and Board of Commissioners of the Company have no conflict of interest with venture capital, including members of the Board of Directors, members of the Board of Commissioners and/or shareholders of the Company and/or subsidiaries, and have never been involved in financial crimes or bankruptcy, are not currently involved in legal proceedings, or have never been convicted in accordance with Articles 39 and 110 of the Limited Liability Company Law. The company's portfolio is in accordance with the company's plan approved by the Ministerial Decree and the conditions of the startup company are not involved in criminal acts or liquidation until an evaluation of the investment made by venture capital is carried out.

Second, the investment stage involves finding forms of investment in the form of direct investment, indirect investment, special funds, and general funds by looking at transaction and revenue growth, the size of the market taken, and the funding received by digital start-ups with indicators comparing similar start-ups. Finally, supervision and provision of advice to start-ups and the preparation of periodic reports on the development of start-ups after investment (Post Deal Integration). Evaluations are conducted periodically. Venture capital collects all facts related to the investments made to be submitted to the Venture Capital Board of Directors as evaluation material on the funding provided in the form of investment developments related to the growth of digital start-ups, the development of synergies with the parent company of Venture Capital, important events, and exit strategy recommendations.

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